91-04243/

BRITISH COLUMBIA CONSULTATIONS ON THE CANADA / U.S. BILATERAL TRADE NEGOTIATIONS

REPORT

TO THE MINISTER OF ECONOMIC DEVELOPMENT

MAY 1987

THE MINISTRY OF ECONOMIC DEVELOPMENT acknowledges the assistance of **BURLINGTON & ASSOCIATES CONSULTING LTD.** in preparing this study.

TABLE OF CONTENTS

EXECUTIVE SUMMARY iii

INTRODUCTION 1

COMMUNICATION WITH THE PRIVATE SECTOR
- Response to the Consultation Program 2
- Future Involvement of Private Sector 2
- Private Sector Opinions on the Bilateral Trade Negotiations 3
  - General Views 3
  - Small Business Sector Views 3
  - Labour Views 3

TARIFF BARRIERS
- Competitive Industries 7
- Potentially Competitive Industries 9
- Vulnerable Industries 10

NON-TARIFF BARRIERS
- Import Controls and Quotas 13
- Export Controls 15
- Immigration Procedures 16
- Licensing 17
- Investment - Establishment, Ownership and Performance 19
- Government Procurement 21
- Contingency Protection 24
- Subsidies 25
- Customs Formalities 27
- Product Standards 28
- Industrial and Labour Adjustment 29

GENERAL REMARKS 30

CONCLUSIONS 31

APPENDICES

Appendix 1
Classification of Industries by Ability to Adjust to a Canada/U.S. Trade Agreement 33

Appendix 2
Participants' Views of Possible Tariff Barrier Changes with Free Trade 35

Appendix 3
Participants' Views of Possible Non-Tariff Barrier Changes with Free Trade 47

Appendix 4
Views of the Agriculture Sector on a Canada/U.S. Trade Agreement 73

Appendix 5
Views of the Alcoholic Beverages Sector on a Canada/U.S. Trade Agreement ... 75

Appendix 6
Implementation of the British Columbia Trade Consultations 81

Appendix 7
Invited Participants in the British Columbia Trade Consultations 83

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Early this year, the Honourable Grace McCarthy, Minister of Economic Development, implemented a program of consultations on the Canada/U.S. bilateral trade negotiations with representative B.C. industry associations.

The British Columbia trade consultations had two objectives:

1. *to seek information to supplement internal analysis;*
2. *to provide a communication link with public groups.*

Participants from 95 associations and 51 companies were invited to express their views on the potential effects on their sectors of the Canada/U.S. bilateral trade negotiations. Of the 170 invitations sent out by the Minister, over 70% of invited participants made substantive replies.

The opinions of a large cross-section of private sector participants in regard to bilateral trade liberalization were favourable, as detailed in Table1.

The private sector increasingly recognizes the possibility of the trade negotiations having a substantial effect on its interests. All participants were unequivocally pleased at the opportunity provided by the consultation process to air their views on the trade negotiations in meetings or by letter. Some comments were qualified by scepticism about the government's willingness to consider contrary views, and also by concern about the tight deadline.

Those concerned about the consultations' deadline (mid-April) were informed that, while it was important to receive their views at an early stage, the consultation process would be on-going and they should continue to explore their positions and to communicate with the Trade Policy Branch.

Appendix 1 classifies industry sectors in B.C. as internationally competitive, potentially competitive, and vulnerable. This classification is a general guide to concerns and observations expressed by participants about tariff and non-tariff barriers in both Canada and the United States.

TARIFF BARRIERS

Lower U.S. tariffs will substantially benefit the following industries: Methanol, Shipbuilding and Repair, Mushrooms, Alloyed zinc, and possibly Apparel.

Potentially competitive industries that may incur significant adjustment costs as Canadian tariffs are lowered include: Fine paper, Tissue paper, and Boxboard industries, Particleboard possibly, some Chemicals, some Plastics and Rubber, some Electronics, some Marine and Subsea, Furniture, and some Processed Foods. These industries also requested a phase-in period for lowering tariffs.

Industries that would be vulnerable with lower tariff barriers are: Electrical equipment (copper cable), Boatbuilding (Fiberglass), some Marine and Subsea, some Plastics (Fiberglass), Agriculture (soft fruits-seasonal tariff).

Many industries may benefit from lower tariffs on inputs they use. The inputs mentioned include mainly machinery, but also some chemicals, fabricated floating structures, special cables and other electrical equipment and electronic equipment.

NON-TARIFF BARRIERS

Contingency Protection and Subsidies: The B.C. industries which expressed concern about U.S. contingency protection behavior are the ones that perceive themselves as competitive, but not necessarily ones that think they are subsidized. *The major B.C. natural resource based industries, Forest industries, Energy, Petrochemicals, Metallic & Non-metallic Minerals, Structural Materials, expressed concern about the momentum of the treatment of Natural Resource Subsidies clauses within the current debate on U.S. trade legislation as a reflection of the seriousness of U.S. protectionism.*

"Competitive" industries would generally prefer a "national treatment" regime. Alternatively these industries would prefer a "transparent, rule-based, 'due-process' system with definitions of countervailable subsidies and a non-political trade dispute resolution mechanism".

The remaining industry sectors that expressed concern about contingency protection favour a rule-based approach rather than national treatment; these sectors include the Canadian Chemical Producers Association, the Fishing industry, except for the United Fishermen and Allied Workers Union, and competitive Agriculture sectors.

The implications of the subsidy issue vary from industry to industry and are discussed in the main report.

Government Procurement: Sectors which favour the removal of discriminatory U..S. government procurement practices are: Structural Materials, Plastics, Shipbuilding and repair, Subsea industries, and Computer Software.

Sectors which favour the removal of both discriminatory U.S. government and other Canadian government procurement practices are: Metal Fabrication, Electronics Equipment, Machinery, Transportation Equipment, and Consumers.

Consulting Engineers and Labour are opposed to the removal of Canadian discriminatory government procurement practices.

Investment: *Many participants in the British Columbia trade consultations did not perceive the liberalization of foreign investment restrictions as a major concern.* Those sectors which have significant restrictions or concerns about foreign investment include: Energy, Air Transportation, Marine Transportation (cabotage), Broadcasting and Cable Television, Film and Video, Sound Recording and Publishing industries, Bank and Trust companies and Law firms. The B.C Federation of Labour and the Confederation of Canadian Unions strongly oppose foreign ownership.

Immigration: With a few exceptions, *participants in the British Columbia trade consultations expressed a strong preference for easier immigration procedures for business travel.* The U.S. system of business travel procedures was perceived to be more difficult and discriminatory than the Canadian system. Participants felt that U.S. and Canadian business travel procedures should be "harmonized" by moving both systems toward a more liberalized Canadian procedure.

Customs Formalities: Industry groups which noted difficulties due to U.S. customs administrative procedures which created undue delays include: Electronic Equipment, Machinery, Truck Transportation, Computer and Data Services.

The remanufactured wood product group identified *marks of origin* as a costly non-tariff barrier.

Participants from the *Forest and Mining industries* were very concerned that the Canadian *"Machinery Duty Remission Program"* not be extended to North American treatment.

In almost all cases where the standards issue was raised, B.C. industries felt that *Canadian standards were higher and should not be compromised.* Industry groups which identified product standards as potential trade barriers included: Plywood, Furniture, and Processed Foods.

Adjustment Assistance: The subject of adjustment assistance was mentioned only by the Paper Products, Agriculture, Vinting and Grape Growing industries, and indirectly by the Brewing industry. The discussion of industrial adjustment assistance was limited, and the subject of labour adjustment assistance was generally not raised.

Import and Export Controls: *Import controls are important in the following sectors: Aricultural commodity supply management schemes, Alcoholic Beverages, Telecommunications, coastal Marine Transportation, and Air Transportation. Export controls are important in regard to logs, unprocessed sockeye and pink salmon, and roe herring.* Views in regard to import and export controls are complex and are discussed in the main report.

CONCLUSIONS

1. *The British Columbia trade consultations have been useful to the government for at least three reasons*:

i) Officials were able to *corroborate previous information on industry views*, sector profiles, and impact assessments.
ii) Officials received *new information* about B.C. industries and their problems and requirements.
iii) The government has established a *useful mechanism* for ongoing consultation as the negotiations proceed toward the final key stages.

2. *B.C. associations and firms are eager to receive detailed information and to participate in discussions*. The private sector requested the government to provide a mechanism for ongoing consultation and discussion on all key issues in the negotiations.

3. The British Columbia trade consultations demonstrated that the private sector requires information about the implications of the bilateral trade negotiations and trade policy changes in general. However there are some information problems:

i) In some cases the private sector does not have good information about the effects of trade policies on their operations, nor are they necessarily certain about what information they require.
ii) In some cases the private sector may not be making appropriate, or even any, plans to adapt to potential outcomes of the negotiations.

4. *In some sectors, firms and associations are quite capable of assimilating information about the trade negotiations and planning appropriately for possible outcomes and in other sectors they are less capable*:

i) Those firms and associations which are already developing plans to respond to a potential trade agreement tend to be either large, well developed enterprises, or to have a history of government support or regulation. They include: Major Resource industries (Forestry, Mining, Energy, Fisheries, and much of Agriculture), Distillers and Commercial Wineries, Metal Fabrication, Machinery (large enterprises at least), Telecommunications and Broadcasting, and Transportation.

ii) Sectors found not to be actively developing methods to deal with a Canada/U.S. trade agreement tend to be in the manufacturing sector in B.C.. Reasons for this problem may simply be that enterprises are smaller and thus lack planning resources and overhead. They include: Furniture, Marine and Subsea industries, Apparel, Electronics, Chemicals, Plastics, and some Cultural industries.

iii) Certain sectors maintain that they should be exempted from the trade negotiations altogether and are concentrating their efforts to that end : Estate Wineries and Grape Growers, Brewers, and some Agricultural sectors (Poultry, Dairy, Tree Fruits).

5. If there is a successful outcome to the trade negotiations, *the private sector will have even more pressing needs for information to help them capitalize on the benefits available from trade liberalization*. The information needs at that stage will be both factual and interpretive in regard to the agreement and market-oriented in regard to potential changes in market opportunities. B.C. companies engaged in trade with countries other than the U.S. may also have information needs in regard to the implications of the bilateral trade agreement for their trade with these other countries, or for the investment presence and prospects of firms from these other countries in B.C..

Sectors and firms which will benefit from an agreement should be encouraged to plan and develop new market opportunities; sectors and firms that may be harmed by the agreement should be encouraged and assisted to restructure to minimize the impact:

i) *Attention should be given to appropriate government involvement in carrying out the positive functions of supplying trade development and trade policy information and of encouraging B.C. firms to plan and adjust to new market conditions.* A discussion of this suggestion is beyond the scope of this report, but the subject arises because of private sector information and planning needs that were observed and expressed in the course of the consultations.

ii) There was limited discussion in the British Columbia trade consultations of industrial adjustment assistance, and neither labour representatives or business groups raised the issue of labour adjustment assistance in regard to possible effects of a free trade area. *Mechanisms for giving attention to the subject of labour and industrial adjustment assistance and for planning appropriate delivery systems should be considered.*

REPORT

INTRODUCTION

The bilateral trade negotiations between Canada and the United States, which began in mid-1986, are proceeding on a 'fast-track' schedule to reach a draft agreement by early October, and a full agreement by January of 1988.

Because its economic base is significantly dependent on trade, the Government of British Columbia regards the successful outcome of these trade talks to be of the utmost importance. Government officials have been working for more than a year on the analysis and development of British Columbia's policy positions regarding the negotiations. This *analysis stage* is the first of the three stages of awareness of the bilateral trade negotiations. The next two stages might be described as informed discussion and public discussion.

The private sector and the general public increasingly recognize the possibility of the trade negotiations having a substantial effect on their interests, and they will be increasingly vocal in requiring public communication with the government decision-makers and participants in the negotiations.

In this context, the Minister of Economic Development implemented early this year the '*informed discussion*' stage. This has been a semi-public process of seeking the views of business, labour and interest group representatives about the potential effects of the bilateral negotiations on their sectors. These consultations are now leading to the '*public discussion*' stage in which the government will need to actively disseminate its views and positions and the public will need to engage in discussion and debate.

*There were **two objectives for the British Columbia trade consultations** :*

1. *to **seek information** to supplement internal analysis;*
2. *to **provide a communication link** with public groups.*

The structure of the bilateral negotiations provided the basis for the consultations as well as for the annexes distributed as guides for discussion. As indicated by the Table of Contents, this structure also serves as an outline for this report. An important objective of this report is to ensure the opinions of participants in the consultations are presented clearly.

Appendices to this report contain brief sectoral summaries of issues discussed by the private sector and details of contacts with the private sector. The implementation of the British Columbia trade consultations and the ways the private sector participated in the consultations are described in Appendix 6. A full list of private sector representatives invited to participate in the consultations appears in Appendix 7.

COMMUNICATION WITH THE PRIVATE SECTOR

RESPONSE TO THE CONSULTATION PROGRAM

Over 70% of the private sector representatives chose to have 'in-depth' contact with the government in the form of letters, submissions, meetings, or detailed and lengthy telephone conversations, or some combination of these.

All participants were pleased at the opportunity provided by the consultation process to air their views on the trade negotiations in meetings or by letter.

Nevertheless, some of the responses were qualified in certain ways. Some participants were relieved - " For once the government has asked for our views on an important issue". Among those with negative views, some were sceptical - "We appreciate this opportunity to speak to you, but is the government going to listen to us this time".

Representatives of the labour union movement participated at the outset of the consultations,but withdrew in April. Prior to that time, meetings with the Confederation of Canadian Unions and the United Fishermen and Allied Workers Union were held; submissions were received from the B.C. Federation of Labour and the Canadian Conference of Teamsters, but meetings were not held. The Building and Construction Trades Council did not participate. Although the International Woodworkers of America (IWA) is a member of the B. C. Fed's Executive Council, it would be useful to meet with them directly.

FUTURE INVOLVEMENT OF PRIVATE SECTOR

The question of the type of future communications that would be possible or desirable between the government and the private sector representatives emerged in virtually all meetings and in many letters.

Government officials emphasized the government's need to hear the views of the private sector on trade matters on a continuing basis and emphasized the value of keeping the lines of communication open, especially during the next 3 months which will be a period of intense negotiating activity. Continuing dialogue with all interested parties will be undertaken on both an informal and formal basis as necessary and appropriate.

PRIVATE SECTOR OPINIONS ON THE BILATERAL TRADE NEGOTIATIONS

General Views

In the course of commenting on sectoral implications of bilateral trade issues, participants voiced their overall support or opposition to the bilateral trade negotiations. A brief survey of the general opinions of representatives provides a backdrop for the discussion of issues below.

Based on contacts made in the course of the consultation program, it is possible to characterize the overall attitude of each participant toward a bilateral trade agreement. For representatives who did not respond to the consultations in detail an opinion was "estimated". Thus, for purposes of analysis, opinions on bilateral trade liberalization by participant industry sectors can be categorized as shown in Table 1.

Small Business Sector Views

Interesting additional information about the opinions of the small business sector is available from a1986 membership survey by the Canadian Federation of Independent Business (CFIB). The most notable fact in this survey is the strong support for a trade agreement : in B.C., 70% are in favour or indifferent (44% in favour) and only 7% against; in Canada overall, 66% in favour or indifferent (34% in favour) and 13% against.

Labour Views

The broader views of the labour organizations that participated in the consultations on the implications of a free trade agreement for the B.C. and Canadian economies and for union members are noted here. Comments on specific issues appear under the appropriate topics.

The **B.C. Federation of Labour (B.C. Fed)** and the **Confederation of Canadian Unions (CCU)** strongly believe that the U.S. will not give up its right to wield its contingency protection powers, or if it does, the price Canada will have to pay for this concession by the U.S. will be far too high (i.e., forcing Canada to give up its right to provide subsidies to offset regional disparities).

The CCU proposes an alternative course of action :

- Diversify our trade by developing fuller trade with a wider spectrum of nations.
- Pursue policies to limit and reduce foreign ownership and control of our economy, particularly by an ever smaller number of huge American corporations.
- Develop a strategy of using our resource wealth to build a strong industrial base.

The views expressed by the **B.C. Federation of Labour** can be summarized as follows :

- Oppose free trade, deregulation and privatization.
- Develop a full-employment program.

- Develop strategies for unions and communities to gain control over pension funds, and work for democratic control over investment.
- Alternative approaches to enterprise development, including public ownership/control of industries, worker cooperatives and community-based economic development.
- Develop political and economic responses to deal with the decline in investment and jobs in B.C. created either by the problem of capital being shifted to other countries, or by companies which make threats to withdraw capital if they do not like specific legislation or government policies.

The **Canadian Conference of Teamsters** represents workers in a variety of B.C. industries. It recognizes the need to secure access to the U.S. market, and the threat posed by protectionist pressures in Congress. " Consequently, it is apparent to us that a failure to favourably revise our existing trade agreement will seriously jeopardize our ability to attract new investment, to expand and diversify our economic base, and to secure increased employment and maintain wage levels." However, the Teamsters do express important qualifications regarding sensitive industries, transition periods, transitional adjustment assistance, and the need to resist the temptation to erode labour-related legislation in the face of increased competition.

The **United Fishermen and Allied Workers Union (UFAWU)** thinks that a free trade pact will not make a significant difference in the industry's ability to sell fish and fish products in the United States. Comments of the UFAWU on specific issues are noted as appropriate, but at a general level the UFAWU feels " a free trade pact with the U.S. will not be condoned by the Canadian people if it sacrifices our sovereignty, our social institutions, and our economic and political independence, which it inevitably will."

Table 1 : Participants' Opinions on Bilateral Trade Liberalization

Favour	Logging and Primary Wood Products
	Secondary Wood Products
	Energy and Petrochemicals
	Mining and Primary Metals
	Non-metallic Minerals, including Coal
	Metal Fabrication (large companies)
	Machinery, Transportation Equipment, Aerospace
	Electronics
	Marine and Subsea (high tech)
	Textiles and Apparel
	Aquaculture
	Construction
	Business Services (except Legal Services, Advertising)
	Canadian Consumer Association
	Business Associations
Favour with Conditions	Pulp and paper Products
	Chemicals, Plastics, Rubber (some exceptions)
	Agriculture (Some)
	Fishing and Processing
	Telecommunications
Oppose	Electrical Equipment
	Marine and Subsea (low tech)
	Agriculture (some Favour w conditions)
	Alcoholic Beverages (some Favour w conditions)
	Cultural Industries (some Favour w conditions)
	Labour Associations
Mixed	Furniture (Oppose/Unknown)
	Food processing (Favour/Oppose)
	Transportation and Storage (Favour/Oppose/Unknown)
	Broadcasting (Unknown/Oppose)
	Tourism (Unknown/Favour w conditions)
	Financial Services (Favour/Oppose)
	Insurance (Favour/No Effect)
	Trade (Favour/Unknown)
	Legal Services

TARIFF BARRIERS

The trade negotiators have announced that a primary general objective will be the bilateral reduction of tariffs to zero in all sectors over a period not to exceed 10 years. If the general objective of eliminating tariffs without exception is achieved, the attention of the tariff negotiations will turn to industry adjustment problems and supporting transition arrangements.

Many British Columbia industries and workers, not to mention British Columbia consumers and taxpayers, will benefit from tariff reduction. However, some industries and workers will face minor adjustment problems while a small number may have to make major adjustments or risk business failure. For the purpose of discussing the effects of tariff and non-tariff barriers, B.C. industries can be generally classified as internationally "competitive", "potentially competitive" internationally, and "vulnerable" to international competition at least in relation to the United States. Appendix 1 uses these criteria to categorize the industries discussed in this report.

Appendix 2 lists the effects of possible tariff changes on the various sectors and comments on "rules of origin" matters, transition arrangements, and adjustment assistance. The following three sections are based on Appendix 2.

COMPETITIVE INDUSTRIES

Internationally competitive industries can be expected to be more concerned about access to markets and lower tariff barriers than about transitional arrangements and adjustment assistance measures.

Lower U.S. tariffs will substantially benefit the following industries:

- *Methanol*
- *Ship Repair*
- *Mushrooms*
- *Alloyed zinc*
- *Apparel (possibly)*

Lower Canadian tariffs may impose some adjustment costs on the canned salmon industry (3% tariff) and major machinery producers. Effects on smaller machinery producers are unknown.

Many internationally competitive B.C. industries are protected by relatively low Canadian tariffs or face relatively low U.S. tariffs. Those which indicated they will not be significantly affected by lower U.S. or Canadian tariffs include :

- Mining (except Zinc Alloy and Molybdenum)
- Energy
- Structural Materials
- Metal Fabrication
- some Chemicals (eg. sodium chlorate, sulphuric acid, fertilizers)
- Electronic Equipment, including Telecommunications Equipment
- Transportation Equipment
- Subsea Equipment
- Fishing and Processing other than canned salmon
- some Agriculture (apples, red meat)
- Alcohol Distilling

Many service industries in B.C. would be competitive (or would feel secure or indifferent in a free trade environment) and thus be placed in the "competitive" industries classification. Service industries have not traditionally been protected by tariff barriers and are more commonly affected by non-tariff barriers like restrictions on ownership, investment, and licensing. Only minor tariffs are levied on materials (paper in drawings) used by professions like Architects and Consulting Engineers, and also on the materials used in pamphlets in the Tourism industry. The competitive service industries are listed in Appendix 1.

---

*Many industries may benefit from **lower tariffs on inputs** they use, but the participants in the competitive sector who have mentioned this benefit explicitly include:*

- *Forest industries*
- *Mining*
- *Salmon Aquaculture*
- *Telecommunications*
- *Cable T.V. (possibly Broadcasting)*

The inputs mentioned include mainly machinery, but also some chemicals, fabricated floating structures, special cables and other electrical equipment and electronic equipment.

In the context of industry inputs, participants were very concerned that the Canadian **Machinery Duty Remission Program** not be extended to include North American treatment. If the program were extended to the U.S., it would require that machinery be unavailable in North America (not just Canada) before the machinery could be imported duty free. This could impose significant costs in cases where lower cost products are available from Europe or Japan for example, and would be disqualified by duty remission by the presence of a U.S. producer.

Rules of origin are necessary to define the amount of value that must be added to a product in Canada or the U.S. to qualify the product for duty-free status in either country.

Rules of origin suitable for one industry can have quite different effects on another . The Fish Processing industry recommended the "rules of origin" criterion be that a product be "substantially transformed"; the Chemical industry recommended the criterion be 40% value-added, however smaller chemical producers favoured a smaller percentage and larger chemical producers a larger percentage.

Since industries in the "competitive industries" group are internationally competitive, only two, salmon canners and some machinery makers, suggested a transition arrangement in the form of a phase-in period.

POTENTIALLY COMPETITIVE INDUSTRIES

This important group of industries can meet the challenges of developing or restructuring their business to cope with lower trade barriers. By undertaking these changes, many firms will find new opportunities, but because some firms have been protected historically or are vulnerable in other ways, they may need some type of assistance during a transition period.

---

*Potentially competitive industries that may incur **significant adjustment costs** as Canadian tariffs are lowered include :*

- *Fine paper, Tissue paper, and Boxboard industries*
- *Particleboard (possibly)*
- *some Chemicals (eg. resins, phosphate and some acids)*
- *some Electronics (eg. products that have required large capital investments)*
- *some Plastics and Rubber (eg. plastic film)*
- *some Marine and Subsea (eg. Subsea services, fiberglass marine products)*
- *Furniture*
- *some Processed Foods (eg. bakeries)*

---

*Industries in this sector which are not affected by tariff barriers, but may be **subject to non-tariff barriers** are:*

- *Brewing*
- *Commercial Wineries*
- *Film (Generic)*
- *Advertising (smaller/domestic firms)*
- *Truck Transportation*
- *Rail Transportation*
- *Air Transportation (Local Airlines)*
- *Health Services (estimate)*

The potentially competitive industries that said they would request a transition arrangement in the form of a **phase-in period** are :

- Fine paper, Tissue paper, and Boxboard industries

- Particleboard possibly
- some Chemicals (eg. resins, phosphate and some acids)
- some Plastics and Rubber (eg. plastic film)
- some Electronics (eg. products that have required large capital investments)
- some Processed Foods

One firm in the Furniture industry simply wanted tariffs maintained and did not indicate any other possible form of assistance. No other representatives from the Furniture industry participated in the consultations.

VULNERABLE INDUSTRIES

In British Columbia only a few industries indicated that their existence would be quite vulnerable to removal of tariffs.

---

*Industries that would be **substantially affected** by lower tariff barriers are:*

- *Electrical equipment (copper cable)*
- *Shipbuilding and Boatbuilding (Fiberglass)*
- *some Marine and Subsea (overlaps with Boatbuilding)*
- *some Plastics (Fiberglass)*
- *Processed Foods (eg. canned fruits and vegetables; processed products based on supply managed commodities - poultry, dairy products)*

---

*Vulnerable industries that would not be affected by tariff changes, but may be **subject to the effects of dismantling of non-tariff barriers** are :*

- *Agriculture (Dairy, Poultry and Eggs, Grapes, some Vegetables, Soft Fruits)*
- *Estate Wineries*
- *Marine Transportation*
- *some Cultural industries (Book Publishing, Canadian, as distinct from generic, Film and Video)*
- *long-haul, long-distance Telecommunication Services*

These "vulnerable" industries normally did not comment on adjustment assistance measures or requirements, but rather requested continuing protection. The soft fruit industry requested continuation of seasonal tariffs, and expansion of protection by establishment of additional marketing boards. The soft fruit industry rejected alternatives like accelerated anti-dumping or safeguard procedures or a fast-track surtax. The agriculture representative was asked to consider possible adjustment assistance programs, but the initial reaction was "We don't want to be assisted out of the industry, we want to continue farming; moreover, we don't believe the government would ever pay out our investment". The copper cable manufacturer simply said that without the tariff, his business, as it is now, would disappear; however since his fibre optics division is

competitive, there might be some adjustment potential. Manufacturers of fiberglass products and other vulnerable marine or subsea industries, particularly boat manufacturers, did not state whether adjustment assistance measures would help them become viable in a free trade environment.

NON-TARIFF BARRIERS

Some non-tariff barriers (NTB's) are rules explicitly designed to protect domestic industries and to restrict the flow of trade. Import quotas, quantitative export controls, and certain immigration policies are clear examples of this type of non-tariff barrier. Other non-tariff barriers are rules primarily designed to accomplish specific tasks unrelated to restraint of trade, but by interpretation or application, can be effectively used to restrain trade. Product standards, professional licensing, and even contingency protection laws are examples of this type of NTB. Appendix 3 lists the effects of possible changes in non-tariff barriers on the various industry sectors and is the source for the following discussion.

IMPORT CONTROLS AND QUOTAS

The various rounds of multilateral GATT negotiations have significantly reduced the scope of restraints on trade. Few producers in B.C. are now protected by Canadian **import quotas** or restrained by U.S. quotas - the Footwear, Textile and Apparel industries, the supply managed agricultural commodities, Turkey, Chicken, Eggs and Dairy Products, and also Grapes (not a supply managed commodity or a GATT sanctioned quota) are the prime examples of goods subject to import quotas. The importance of import quotas in agricultural commodity supply management schemes and in the practices of the B.C. Liquor Distribution Branch are noted in the sections on Agriculture and Alcoholic Beverages.

The B.C. Fashion and Needle Trades Association did not participate in the consultations so information about the industry is rather limited. Based on the assumption by staff that the **B.C. Apparel industry** is comprised largely of high fashion producers, the effects of Canadian import quotas are to increase their costs and perhaps reduce the selection of materials available. The quotas also increase prices and reduce the selection of goods available to retailers and consumers. However *these quotas are not directed at trade with the U.S.* and the issues that might arise in the bilateral negotiations would presumably relate to rules of origin. British Columbia should monitor this area to ensure that freer trade benefits B.C. users.

Publicly owned or sanctioned monopolies commonly restrict imports as a necessary feature of market control. In the Telecommunications industry, imports by Canadians of relatively cheaper U.S. long-haul,long-distance (voice) and enhanced (data) telecommunications services are restricted. The B.C. Telecommunication industry is vulnerable in the long-haul, long-distance service area because of substantial U.S. economies of scale in this sector. While B.C. industries can prepare for free trade, it would require a 5 year transition period as well as regulatory approval to "rebalance" its rates, lowering long distance charges while raising local rates.

The **Marine and Air Transportation Service** industries in both Canada and the United States are subject to important restrictions on *cabotage rights* (i.e., the rights to carry passengers or cargo between two or more terminals within a country without an intervening stop in a foreign country). In a free trade agreement, cabotage restrictions could be essentially eliminated between the two countries by "national treatment" provisions (i.e., treatment of foreign firms no less favourable than that granted to domestic firms), although cabotage restrictions could still be in effect against third countries.

Cabotage in the coastal **Marine Transportation Services** industry is restricted by the *Canada Shipping Act* for cargo and passengers, the *U.S. Merchant Marine (Jones) Act* for cargo, and the *U.S. Passenger Service Act* for passengers. Free trade between Canada and the U.S. in coastal marine services is said to be a threat to the B.C. tugboat industry because U.S. tugboats are more efficient. However the industry did not participate in the British Columbia trade consultations so this has not been directly confirmed.

In the **Cruise Ship industry**, an advantage is conferred on British Columbia ports by the *U.S. Passenger Service Act*. Since the *Passenger Service Act* presently dictates that non-U.S. ships cannot travel directly between two U.S. ports without stopping at a foreign port enroute, cruise ships plying between U.S. mainland and Alaska must break their journey in Canada. Although amendments to the *U.S. Passenger Service Act* (with or without a free trade agreement) might eliminate this benefit to B.C. ports, free trade might improve airline connections between Vancouver and U.S. airports, thus increasing the flow of cruise industry tourist traffic through Vancouver.

The provision of **Air Transportation services** by Canadian and U.S. airlines in the other country is restricted by the *Canada-U.S. Bilateral Air Services Agreement*. Local air services on transborder routes within 150 miles of the border are regulated by a mechanism established under the *Regional, Local and Commuter Services Sub-Agreement*. In bilateral air rights negotiations the U.S. has so far rejected negotiation of *cabotage* rights. Furthermore, U.S. foreign investment laws restrict the amount of equity participation in U.S. carriers to 20% regardless of carrier size.

A major Canadian airline noted some important concerns with a free trade agreement, partly because free trade would place the much smaller Canadian carriers in a direct competitive situation with U.S. mega-carriers, and partly because of current U.S. barriers to its market. Under free trade, *cabotage* rights in each country would be available to the other country's carriers. Consequently, competition from well-known U.S. mega-carriers on domestic Canadian routes would dilute domestic revenues to Canadian airlines, yet it would be very costly for Canadian carriers to become known in the U.S. and to penetrate U.S. markets sufficiently to compensate for lower domestic revenues.

To implement free trade and to allow Canadian carriers a chance to compete, three important U.S. barriers would have to be eliminated - restrictions on investment, lack of preclearance, and inequality of access to arrival and departure time "slots" at U.S. "hub" airports.

Restrictions on investment in U.S. carriers would have to be removed to permit Canadian airlines to invest in U.S. carriers to facilitate access to U.S. route networks, "hubs"(large central U.S. airports), and "slots" (a common term meaning arrival and departure times) at congested U.S. airports. The present **Preclearance Agreement** between Canada and the U.S. puts Canadian carriers at a disadvantage since U.S. passengers precleared in Canada may proceed through U.S. systems without further customs and immigration procedures delay, while passengers from the U.S. into Canada must clear Canadian Customs and Immigration in Canada. Preclearance should be established in the major U.S. domestic hubs. Finally, any free trade agreement would have to include an **equality of access to "slots"** (arrival and departure times for flights) to ensure Canadian carriers can remain competitive. In the major U.S. hubs, "slots" are at a premium and, in effect, are bought and sold like commodities. In contrast, there is no Canadian airport, except perhaps Toronto, where "slots" are at a premium and there are no restrictions on U.S. carriers operating at prime times into Canadian airports. However, Canadian carriers wishing access to U.S. airports often must either take less desirable times, or request the Government of Canada, pursuant to the Air Services Agreement, to push for equality of access with U.S. carriers.

The general view of the B.C. Aviation Council is that the major airlines are increasingly operating in a deregulated environment and will survive if changes are introduced in a balanced way. However, there will be serious cost pressures on their suppliers. Cabotage rights within the U.S. would be very beneficial. *The B.C. Aviation Council says the 150 mile limit arrangement carries no benefits for B.C. charter airlines into the U.S., but provides substantial benefits to U.S. charter airlines which are becoming an undesirable factor in fishing and hunting charters, using B.C. resources without providing any benefits to B.C.*

EXPORT CONTROLS

Important examples of export controls in B.C. are those on logs, unprocessed sockeye and pink salmon and roe herring.

Exports of B.C. logs are regulated by application to the Minister of Lands and Forests for an export permit under the *B.C. Forest Act*. Only relatively small amounts of logs have been permitted for export for various reasons. There is a wide range of opinions in the forest industry on the subject of log exports. The position of the participants in the consultations is that *the current system of discretionary exports of logs is a stable policy* that everyone can live with. Because views on this subject in the U.S. industry are equally diverse, there may not be strong pressure for change. Log exports from U.S. National Forests are controlled, as are log exports from most states except Washington.

B.C. and federal export controls on unprocessed sockeye and pink salmon, and roe herring are presently the subject of a U.S. GATT challenge. The U.S. permits the export of unprocessed fish. In Alaska, with its limited processing capacity, it has been to the mutual advantage of U.S. fishermen, processors and northern B.C. processors to have B.C. process surplus fish. *In the B.C. fishing industry, the processors and the United Fishermen and Allied Workers Union strongly support export controls.* Moreover, even

though it may be to their immediate advantage to have controls removed, fishermen are not vehemently opposed to controls.

IMMIGRATION PROCEDURES

The movement of people between the two countries as required to facilitate trade in goods or services must be permitted. Restraints on immigration which are designed to avoid displacement of qualified domestic citizens from jobs within either country are not being negotiated.

Both Canadian and U.S. immigration laws and regulations restrict the provision of labour services by non-residents. The general principle is that work should be done by residents, and only if residents cannot be found to do the job should non-residents be allowed to perform the work. Presently in both Canada and the U.S. certain kinds of labour services can be supplied by non-residents on a short term basis without applying for an immigration visa, and other kinds of labour services require a visa if they are to be supplied at all.

Entry into the U.S. as a "temporary visitor for business" (category B-1) does not require formal documentation or a visa, but is granted at the border at the discretion of immigration officers. The guidelines for this category of entry are that the visitor may attend business meetings, exhibit at trade shows, collect information and consult business associates, take orders, negotiate contracts and carry on similar non-remunerative activities. However during the British Columbia trade consultations, representatives of Engineering and Management Consultants, Architects, and Management Accountants, and executives with manufacturing companies complained that the application of these guidelines was erratic and highly discretionary, since sometimes people travelling for these reasons were turned back at the border. If a U.S. visa is required by a worker, U.S. Department of Labour standards are fairly stringent, and the procedure requires 2-6 months and is rather expensive since a lawyer is normally needed.

If a U.S. worker requires a Canadian work visa, he can obtain one if the Canada Employment Office satisfies itself that a Canadian is not available to do the job, and if the worker indicates that he will:

1. create employment for Canadians, or
2. maintain employment for Canadians, or
3. train Canadians, or
4. transfer technology from the U.S. to Canada.

Canada also has a one-time procedure, at the discrimination of an Immigration Officer, for allowing temporary entry for a period not greater than 30 days. Thus, consultants consider the Canadian system to be simpler, more flexible and adaptive, less time consuming, and less costly.

Participants in the British Columbia trade consultations had various views about immigration regulations concerning temporary entry for business and short term work permits.

Among participants in the British Columbia trade consultations who addressed this issue, *supporters of present Canadian practices included one labour union and at least one company which felt that current Canadian laws should in fact be implemented more strictly.*

Engineering and Management Consultants and Accountants with large firms think it is much easier for U.S. consultants to obtain a visa to provide services in Canada than it is for Canadian consultants to obtain entry to the United States.

Consulting associations feel that conditions of entry to each country should at least be similar, and they would prefer business travel procedures to be "harmonized" by both systems moving towards a more liberalized Canadian type of procedure.

U.S. immigration procedures for technical service personnel are very stringent in industries which export and install complicated equipment, which repair large or complicated equipment, or which build large projects. Depending on circumstances, procedures can also be stringent for management and executive personnel. B.C. producers of sophisticated sawmill machinery find U.S. temporary immigration procedures troublesome and costly especially because they guarantee that repairs will be undertaken within 24 hours. Similar experiences were reported by a subsea equipment producer and a large metal fabricating firm, although they pointed out that Canadian procedures were equally stringent. Other examples of problems in staffing airlines offices in the U.S., bringing celebrities and performers into Canada and the high costs of obtaining electronics consultants imposed by immigration procedures were noted. Participants from these industries had a preference for easier entry procedures.

LICENSING

If restrictions are to be relaxed on the movement between jurisdictions of people who supply services, then for professionals, the subject of immigration procedures leads immediately to questions about licensing in multiple jurisdictions. Licensing is usually conducted at the provincial and state jurisdiction level and normally involves educational, experience, and exam requirements.

In the British Columbia trade consultations, the key issues reviewed were:

1. whether a professional licensed in one jurisdiction is permitted to become licensed in another jurisdiction and to maintain more than one license; this is related to the subject of rights of establishment;
2. whether a license in one jurisdiction provides any privileges in another jurisdiction, either in terms of directly providing services, or in terms of becoming licensed in another jurisdiction;
3. what privileges does a "non-resident" license provide the professional;
4. what kinds of joint enterprises, eg a partnership, can professionals in different jurisdictions undertake.

The **Accounting** profession has two branches. In Public Practice, Accountants provide services in a client-fee relationship generally in regard to audits, tax and related matters, and are licensed as Chartered Accountants (CA's) or Certified General Accountants (CGA's) in Canada, and Certified Public Accountants (CPA's) in the United States. Management Accountants are generally employees who manage accounting and financial matters for an organization and are designated Certified Management Accountants (CMA's) in the U.S. and all provinces except B.C., where they are RIA's (soon to be changed). CA, CMA and CGA memberships are transferrable across provinces (reciprocity) because of similar education, experience and exam requirements; there has not been reciprocity with the U.S. since 1977. CPA's in the U.S. have similar training to CA's in Canada, and likewise for CMA's in the U.S. and Canada.

The Society of Management Accountants of B.C. and Yukon recommends discussions between the organizations in each country representing Public Practice Accountants and Management Accountants respectively, and to develop reciprocal training and accreditation agreements. In Canada the audit function differs from province to province and should be standardized.

Various professional associations including Engineering, Accounting and Architecture identified *licensing standards, certification procedures and regulatory standards as areas which may require harmonization, or substantial alteration given a bilateral trade agreement.* Difficulties in obtaining insurance were mentioned by Accountants, Engineering Consultants and Architects.

In the U.S., State Licensing Boards license **Architects** (and other professions like Engineers), but there is no agency that administers a code of conduct. A central body provides a roster of accredited schools in the U.S., and there is a common set of 9 exams prerequisite in every state; in addition experience requirements are similar in many states.

In Canada, licensing conditions for Architects are more restrictive. Provincial Architectural Institutes both license architects and administer a code of conduct. The removal of provincial residency requirements as required by the Charter of Rights has begun (no requirements now in B.C.). The B.C. Architectural Institute is working on developing provincial reciprocity agreements, starting with Ontario, and work is also proceeding on harmonizing licensing requirements. Similar programs could be developed in regard to the United States in the context of a bilateral trade agreement. Because B.C.'s exams are modelled on some of the U.S. exams, harmonization might even be easier with the U.S. than with other provinces.

In **Engineering**, both Canada and the United States require that much design work performed be legally sealed by people professionally qualified in the particular state/provincial jurisdiction. In Canada, provinces issue non-resident licences to practise to any engineer with professional registration, based on recognition of school of graduation. It appears that there is reciprocity among provinces in Canada. U.S. registration is more difficult as it requires that State Licensing Board examinations be passed. Examinations are given only once or twice a year at predetermined times, and

this alone makes it difficult for Canadian engineers with many years experience to obtain qualifications in time for a specific project. Proposals for altering these problems were not discussed, but should be considered.

The **Legal** profession in British Columbia is the most restrictive of the four professions above in regard to these issues and the least inclined to consider reciprocal privileges. The position of the profession in B.C. is that " provincial protective practices are generally based on the control of the quality of the profession and are a necessary, or at least most desirable, protection to the public". Licences to practise law in British Columbia are issued only to B.C. residents, with special licences for Canadian lawyers to appear in B.C. courts. An amendment to this law is being proposed to allow foreign lawyers to appear in international arbitrations in British Columbia. Another possible exception would relate to the establishment of a common trade law as an outcome of the bilateral trade negotiations and the allowance for lawyers from both countries to appear before tribunals administering such law. B.C. lawyers would like such tribunals to be established across the country. However B.C. lawyers do not wish exceptions to local practitioners to proliferate. A B.C. licence requirement of Canadian citizenship has been struck down but is being appealed to the Supreme Court; the U.S. does not have such a citizenship requirement, but little information about other U.S. registration requirements was available from the British Columbia trade consultations.

The legal profession foresees that the most dramatic impact of a free trade agreement might be the emergence of interjurisdictional partnerships among lawyers licensed in B.C. and lawyers licensed in other jurisdictions. Interjurisdictional partnerships, which are well known in 43 U.S. jurisdictions, and in Ontario and Quebec, are forbidden to B.C. lawyers. British Columbia firms are losing business to non-B.C. firms in regard to international transactions and to "national matters". The B.C. Branch of the Canadian Bar Association argues that these protective practices have restricted the growth of B.C. law firms, and larger B.C. law firms would benefit from their removal. The B.C. Law Society debated the issue of interjurisdictional law firms several years ago and passed a resolution in May 1985 opposing such business arrangements in principle. However, in view of recent developments, in July this issue will be debated once again within the Law Society.

INVESTMENT - ESTABLISHMENT, OWNERSHIP AND PERFORMANCE

Restrictions on foreign investment under discussion in the negotiation can generally be divided into "broader" restrictions on the right of establishment or entry (i.e., limits on the percentage ownership of assets), and trade-related restrictions on the operations or performance of enterprises with a specified degree of foreign ownership or control (i.e., export performance requirement).

Many participants in the British Columbia trade consultations did not perceive foreign ownership as a major issue, and sometimes noted that there were no restrictions on foreign ownership in their sector. Others commented briefly on the subject as follows :

- In the **Forest** industry, the only ownership restrictions are that the holder of Forest or Tree Farm Licences must be a company incorporated in B.C., and the holder of a Woodlot Licence must be a Canadian citizen.

- In the **Fishing** industry, a non-resident cannot own more than 49% of an enterprise that owns a commercial fishing licence; there are no restrictions on ownership of fish processing plants and the Fisheries Council of B.C. would not support such restrictions.

- In the **Energy** industry foreign ownership has long been an issue. In the electric power generating industry, most major enterprises are Crown Corporations. In B.C. there is presently some discussion about the sale of West Kootenay Light and Power Co. to a U.S. owner, but the issue has not yet been settled. Foreign ownership in the oil and gas industry was not noted as an issue in British Columbia.

- In **Air Transportation**, both Canada and the U.S. restrict foreign ownership of carriers to 25 % or less, and this restriction is discussed above in the section on Import Controls and Quotas.

- There is a high degree of Canadian ownership of the major **railroads**, CN being a Crown Corporation. This industry did not participate in these consultations so potential issues were not explored.

- In the **Telecommunications** industry, while there are no ownership restrictions, there are important operating restrictions in the form of import controls and pricing. However, these controls are not investment related and are not discriminatory.

- To hold a CRTC licence, **Broadcasting and Cable Television** enterprises must have at least 80% of voting shares and paid up capital held by Canadians and all directors must be Canadian. In regard to operations, there are important Canadian content restrictions that are more stringent for the CBC than for privately owned operators. U.S. ownership restrictions are similar to Canadian. The B.C. Association of Broadcasters agree with current ownership policies, the Cable T.V. Association would like restrictions removed. Advertising placed in foreign publications or broadcast media, where that advertising is directed to a market in Canada, is not deductible as a business expense for tax purposes.

- Various devices are used to protect Canadian ownership, Canadian product or information content, and Canadian employment in the **Cultural** industries of **Film and Video, Sound Recording and Publishing**. Representatives from the B.C. Film and Video Association and the B.C. Association of Book Publishers responded to the British Columbia trade consultations. The right of establishment is not restricted in these industries, however the discriminatory

policies that favour the operations of Canadian enterprises are viewed as minimum requirements. In the Film and Video industry these policies include network Canadian content regulations (product purchase contracts), grants and subsidized financing by bodies like the Canada Council and the Ontario Film Development Fund, and promotional programs. In the book publishing industry, these policies consist primarily of grants by the Canada Council, the Department of Communications, and to a limited extent the provincial government.

- In the **Finance** sector, Canadian 'Schedule A' banks and trust companies have been restricted to 25% foreign ownership, with individual holdings (foreign or domestic) limited to 10% of voting shares. As part of its financial sector deregulation program, the Federal government will be reconsidering these ownership and related regulations in future. Credit Unions of course are owned 100% by depositors. In B.C. by June 30, providing legislation is in place, and in Ontario, ownership of securities dealers will be permitted by other financial and non-financial companies, both foreign and domestic. Ownership of insurance companies is not restricted in British Columbia. The powers of financial institutions will be expanded greatly by the Federal, British Columbia, and Ontario governments to permit banks, insurance firms and trust companies to compete on an equal footing in supplying a wide range of financial services.

  In view of the imminent competition for its fiduciary business from other financial institutions, the Trust Companies Association strongly recommended a phase-in period for foreign competition in this field.

- In the **Business Services** sector, only the Legal profession restricts establishment to residents (the present restriction of establishment to citizens has been successfully challenged in a lower court and is being appealed). Moreover, B.C. lawyers are prohibited from establishing interjurisdictional partnerships. Canadian lawyers from outside B.C. can obtain a special licence to appear in B.C. courts and tribunals, but foreign lawyers cannot appear in B.C. courts.

GOVERNMENT PROCUREMENT

If government procurement practices were non-discriminatory, governments would decide on purchases only on the basis of commodity specifications, quality and price. A "national treatment" framework is one way of trying to implement non-discriminatory government procurement practices within a free trade area framework.

The B.C. Public Sector Purchasing Policy is one of the most progressive and non-discriminatory procurement policies in North America and only minor revisions would be required for consistency with a national treatment framework. B.C. industries are expected to lose very little if government procurement practices are liberalized as part of the trade negotiations; the real question is what they would expect to gain.

Opinions on Government Procurement Practices

Favour the removal of discriminatory U.S. government procurement practices:

- **Structural Materials** (Cement): A participating company stated that it is competitive from Northern California to Alaska and has unutilized plant capacity. *U.S. Federal Acquisition Regulations and the Buy America Act* require the supply of domestic construction material on U.S. Federal Government projects. It expressed concern about moves to include cement in the Buy America provisions of the *Surface Transportation Act* (once again) and in the *Cargo Preference Act*.

- **Plastics** : Expressed general concern about Buy America preferences.

- **Shipbuilding and Repair** : Several B.C. firms would be competitive in exporting ship repair services. Several years ago one B.C. firm was so successful supplying repairs to the Military Sealift Command Navy Procurement that the loophole in U.S. government/defence procurement that permitted these repairs was closed. With liberalized government procurement, the *U.S. Equal Opportunity Act* would still pose significant problems in bidding on U.S. government contracts.

- **Subsea industry** : One ocean engineering company indicated that it had made some sales to the U.S. Navy, but they were very difficult. It is impossible to protect the intellectual property rights related to equipment if one sells, or even gives equipment on demonstration, to the U.S. armed forces. Security classification problems preclude foreign firms from consulting, or even servicing their own equipment in the hands of the armed forces. For U.S. defence procurement, "Buy America" provisions are waived to Canadians only for the NORAD program, but not for programs with other security agencies or for Department of Commerce programs.

- **Computer Software** : The B.C. industry has no sales to the federal government and only limited sales to the provincial Ministry of Education, so it would be unaffected by further changes in Canadian government procurement regulations. Since the industry focuses on the whole North American market there might be some benefits from liberalizing U.S. procurement. No knowledge of sales based on U.S. defence contracts.

- **Management Consultants**: Because of immigration regulations and U.S. "Buy America" policies, the Management Consultants Association noted it is easier for U.S. consultants to get Canadian jobs than for Canadians to get U.S. jobs. Thus, it is "estimated" they would favour removal of U.S. discriminatory practices, although they did not explicitly make this statement.

Favour the removal of discriminatory U.S. and other Canadian government procurement practices:

- **Metal Fabrication** : A number of participants provided examples of preferential provincial procurement that should be eliminated with free trade. One company stated that it had purchased a plant in Oregon simply to be able to bid on U.S. government contracts, although it has a very large, underutilized plant in Vancouver.

- **Electronics Equipment** : It is often easier to get government and defence business in the U.S. than it is in Ottawa because the U.S. government contracts and sub-contractors are more interested in performance and price than they are in nationality. The Dept of Defence in Ottawa is very "clubby" and will not work to help western Canadian companies develop products and expertise. One difficulty is that there are no firms with the capability to be prime contractors in the West. One company noted that it is often necessary to get U.S. government R&D contracts to be in a position to bid on equipment, and this company has found it difficult to get these contracts.

- **Machinery** : Reduce local preferences within Canada. Machinery manufacturers do not sell to governments, but one company stated that it has lost contracts in Quebec, for example, because of pressure the government exerted for local preferences through its control over subsidized loans. This firm is sceptical about likelihood of "national treatment" leading to actual liberalization in U.S. procurement because of entrenched "Buy America" preferences.

- **Transportation Equipment** : One participant noted that the primary U.S. discrimination against Canadian companies in this industry arise from the *Small Business Set Aside Act* in federal government and defence procurement. Since this industry enjoys substantially free trade they would favour liberalized government procurement practices.

- **Consumers** : The Consumers Association emphasizes that consumers as taxpayers would benefit from the liberalization of government procurement.

The **Electrical Equipment** (Cable) industry favoured removal of provincial procurement barriers, but it would not be competitive with U.S. copper cable suppliers if tariff barriers are lowered or if there were national treatment.

Against the removal of discriminatory government procurement practices:

- **Consulting Engineers**: The Consulting Engineers Association believes "local preferences" should be retained because they provide firms with learning opportunities. The Association is concerned that whereas U.S. firms have some competitive advantage in Canada, Canadian firms may not benefit from legislated removal of discriminatory government procurement practices in the United States, due to areas of discretion that ultimately cannot be removed. However the Association does recommend that local preferences be clearly defined and circumscribed by governments.

Largely unaffected by the removal of discriminatory government procurement practices:

- **Accountants** : Some have international affiliates or branches and obtain work in any case; others would not be affected.
- **Architects** : The architect-client relationship requires a high degree of personal contact, so that they perceive only limited potential for business elsewhere and only limited competition from non-local firms, which could license their architects now in B.C. if they wished.

The **Business and Consumer** sectors in the British Columbia trade consultations think that, *if "local preferences" in government procurement activities could <u>really</u> be reduced through the trade negotiations, it would benefit a number of competitive B.C. manufacturing industries as well as consumers/taxpayers, and would not appear to harm very many businesses.* As important as having the U.S. government reduce its "local preferences" (this possibility is doubted by many), is *the opportunity to reduce local preferences among regions in Canada.* Labour unions and some consulting engineers would be concerned that the main effect would be to export B.C. jobs to U.S. workers.

CONTINGENCY PROTECTION

The critical bilateral trade issues, as expressed in the British Columbia trade consultations by the competitive or potentially competitive B.C. industries, are the fear of advancing U.S. protectionism and related threats to U.S. market access. The main target of U.S. contingency protection actions in a bilateral context is Canadian subsidies. An important bargaining counter in the trade negotiations would be evidence of harm to B.C. industries from similar U.S. subsidy practices.

The general contingency protection subject is well-known and can be summarized briefly. The three main instruments of contingency protection are subsidy/ countervailing duties (CVD), anti-dumping duties, and safeguard actions.

Participants in the British Columbia trade consultations, with a few exceptions, discussed contingency protection issues at a general level. Of great concern to B.C. industries are the recent tendencies of the U.S. Congress :

- to be increasingly aggressive in the scrutiny of the subsidy practices of other countries and the application of trade remedy procedures, and

- to amend its trade remedy legislation to permit more rigorous assessment of the "subsidy" component of programs and even pricing practices which are neither targeted nor export-oriented and which focus on natural resource industries.

The B.C. industries which expressed concern about U.S. contingency protection behavior are the ones that perceive themselves as competitive, but not necessarily ones that think they are subsidized. *The major B.C. natural resource based industries - Forest industries, Energy, Petrochemicals, Metallic & Nonmetallic Minerals, Structural Materials - expressed concern about the momentum of the U.S. Natural Resource Subsidy legislation as a reflection of the seriousness of U.S. protectionism. These industries would generally prefer a "national treatment" regime,* although the Canadian Pulp and Paper Association only said that they want rules that apply equally to both sides to avoid distortions. Alternatively, these industries would prefer a "transparent, rule-based, 'due-process' system with definitions of countervailable subsidies and a non-political trade dispute resolution mechanism".

The remaining industry sectors that expressed concern about contingency protection favour a "rule-based approach" rather than "national treatment"; these sectors include the Canadian Chemical Producers Association, the Fishing industry, except for the Union (UFAWU), and competitive Agriculture sectors. Because of trade barriers in the Fishing and Agriculture sectors many participants, while concerned about U.S. protectionism, were circumspect in their views and recommendations, appearing to favour retention of domestic restrictions instead of dismantling U.S. restrictions on a reciprocal basis. *The Consumers Association thinks that contingency protection actions by either country are generally harmful to consumers' interests and would favour any mechanism for restraining such practices.* The Electronics Manufacturers Association was most concerned about "sideswipe" effects of U.S. trade actions against other countries and so would be interested in proposals in regard to safeguards which address this problem; the B.C. Mining Association was also concerned about this issue. The Shake and Shingles Association would like to see their safeguard duties disappear under a "national treatment" approach.

Quite a number of competitive industries did not express views about contingency protection. These industries include Metal Fabrication, Machinery and Transportation Equipment, Marine and Subsea, Distilling, Telecommunications, and other Service industries.

SUBSIDIES

The implications of the subsidy issue vary from industry to industry.

The **Forest** industry emphasized that the economic impact of the 15% export tax is greater than the combined effect of all other tariff and non-tariff barriers currently faced by the forest industry on a world-wide basis. The forest industry does not want the 15% export tax converted into a stumpage charge because of its impact on third markets and non-lumber sectors of the industry. The impact of the export tax on the remanufactured products sector needs to be rectified. In view of events in the lumber industry, *the pulp and paper industry is nervous about the possibility of CVD action by the U.S. and emphasizes that it does not support the use of subsidies as policy tools in Canada.*

The **Coal Association** does not support the use of direct subsidies for transporting Western Canadian coal to Ontario because of the implications for the trade negotiations. On the other hand, *the Association would like to see the removal of taxes on production inputs*.

The **B.C. Fishing** industry does not think it is significantly subsidized. The industry would like to retain the Fisherman's Improvement Loan Guaranty and Fishing Vessel Insurance Plan programs, but would probably be flexible in this regard. While there are a number of subsidy programs that aquaculture enterprises can take advantage of, The B.C. Salmon Farmers Association thinks that Canadian financial assistance programs are modest relative to those available in the U.S. and other countries, and they do not appear to be a major influence on the competitive position of the industry.

In both Canada and the U.S., the **Agriculture** sector is the politically most sensitive, if not the largest, target for direct and indirect subsidies. For competitive agricultural commodities, *the Canadian Federation of Agriculture would like to see better definitions of what subsidies are trade-distorting, and would be in favour of a rule-based contingency protection system.* The B.C. Federation of Agriculture did not articulate a clear position on this issue. The B.C. Federation noted *the effect of the U.S. agricultural subsidies to irrigation on water costs*. In regard to the Washington State raspberry industry, mention was made of payments to farmers to exit dairy farming and enter raspberries. In general there was considerable confusion about the difference between "leveling the playing field " by adjusting government subsidies and by compensating for input cost differences based on other factors.

In the **Alcoholic Beverages** sector, the major subsidies to B.C. producers are the Liquor Distribution Branch markup differentials on domestic B.C. commercial wines (60% points), estate wines (95% points), and beer (33% points, although LDB beer distribution costs should be deducted), and on distilled products (5% points, arguably not a subsidy, but rather an LDB commercial cost). While minor non-tariff barriers in the U.S. industry were noted, no significant U.S. subsidy programs aside from irrigation subsidies were identified.

Continued or increased subsidization of Canadian **Cultural** industries was recommended by the B.C. Association of Broadcasters and by the B.C. Film and Video Association, with the exclusion of this sector from the negotiations. The B.C. Film and Video Association recommended a Film Development Fund patterned on the Ontario institution.

To conclude this section:

For all the concern expressed about these issues, few private sector participants actually supplied detailed information or proposals about the subjects of subsidies or contingency protection.

(The Forest industry had the most well-developed views and information, but it also may have the best planning infrastructure.)

CUSTOMS FORMALITIES

Six items have been slated for discussion in the negotiations under this general heading :

i) ***Standardized custom documentation*** :

In general, the primary concerns of B.C. industries revolved around "red tape", undue delays, *inconsistent applications of tariff rates*, lack of established guidelines when dealing with the exportation of "security sensitive" machinery and parts, and either excessively strict application of duty remission if a purchaser, or insufficiently strict application if a supplier.

Those industry groups which noted difficulties due to U.S. custom administrative procedures which created undue delays included:

- Electronic Equipment manufacturers
- Machinery manufacturers
- Truck Transportation
- Computer and Data Services

In the Tourism sector, differences in personal customs exemptions was identified as a potential problem (eg. Canada's maximum personal exemption of $C300 per year, as opposed to $US400 per month in the U.S.).

As noted above, the Electronics Equipment, Machinery, and Marine and Subsea sectors identified customs formalities associated with security restrictions as barriers to trade.

ii) ***U.S. custom user fees*** :

Many participants objected to the .22% U.S. customs user fee as an irritant and nuisance.

iii) ***Tariff schedules to be used for negotiation*** :

No comments.

iv) ***Marks of origin*** :

The Remanufactured Wood Products group identified *marks of origin as a costly non-tariff barrier*. Large numbers of individual pieces must be stamped with a "Made in Canada" label, rather than the package or container. *Instances of containers being broken up at the border and returned were noted.* In cases where Canada is demonstrably the main source of a product imported to the U.S. this rule should certainly be eased. The question of marking containers should also be explored. COFI also noted that, considering U.S. "Buy American" preferences, *marks of origin can be an important barrier to sales.*

v) ***Duty drawbacks*** :

The main item discussed under the subject of "duty drawback" was the effect of the *Machinery Duty Remission Program.* Participants from the Forest and Mining industries especially were very concerned that the Canadian *Machinery Duty Remission Program not be extended to include the U.S. (and thereby require that machinery be unavailable in North America (not just Canada) before the machinery could be imported duty free).* This could impose significant costs in cases where lower cost products are available from Europe or Japan for example.

vi) ***Rules of Origin*** :

Rules of origin will likely be the key issue under customs formalities for British Columbia. "Rules of origin" are necessary to define the amount of value that must be added to a product in Canada or the U.S. to qualify the product for free trade status in either country. However, excessively restrictive "rules of origin" criteria would subvert a primary B.C. objective for a free trade agreement - namely the attraction of offshore investment drawn by U.S. market access.

At present, Canada and the U.S. employ different rules and criteria in defining the origin of products entering their respective customs territories. Canada considers any product the value of which is at least 50% attributable to a given country to be originating in that country. The U.S. employs a "substantial transformation" rule which, for customs purposes, determines origin on the basis that the imported good is the product of the last country in which the constituent materials were substantially transformed into the imported product.

The Fisheries Council of B.C. recommended the "substantially transformed" criterion for the Fish Processing industry; the Canadian Chemical Producers Association recommended the criterion be 40% value-added, however smaller chemical producers favoured a smaller percentage and larger chemical producers a larger percentage.

PRODUCT STANDARDS

"Standards" (i.e., technical, administrative, health, safety and licensing procedures) are established for non-trade related purposes such as consumer protection, however they can also serve as effective non-tariff barriers. Canada's negotiating mandate is to reduce the trade restrictive effects of standards consistent with the maintenance of reasonable health and safety standards.

In almost all cases where the standards issue was raised in the consultations, B.C. industries felt that Canadian standards are higher than those in the U.S. and that they should not be compromised in a free trade agreement. Of course an important "side-effect" of this position is that large U.S. companies with long production runs may not find it profitable to change their production specifications just to serve the Canadian market.

The industry groups which identified product standards as potential trade barriers included:

- **Plywood manufacturers**: *The main issue area revolves around U.S. "D" grade (interior) panels. However, COFI suggested that this issue area may be raised by the U.S. as one possible "smoke screen" to draw attention away from their 5% tariff differential.*
- **Furniture manufacturers**: Canadian technical standards for childrens furniture are higher than those in the United States. This may provide some protection from longer and larger U.S. production runs.
- **Processed foods** (fish products): Product standards (eg. fish meat content) and product inspection standards are higher in Canada than in the United States.

B.C. farmers are concerned that equal standards in agriculture could mean lower Canadian standards, resulting in loss of product quality and compromising consumer health. "Standards" as discussed by B.C. farmers mean not just rules, but provisions for and action on enforcement of those rules.

The B.C. Architectural Association stated firmly that Canada's building codes should not be compromised by a free trade agreement at least without careful consultation with professionals. This is not to say that there should not be changes in Canada's building codes. Each province has its own building code based on the national code and there should be a move to amend the national code so that provincial codes can be simplified and harmonized to some extent.

INDUSTRIAL AND LABOUR ADJUSTMENT

In the British Columbia trade consultations the subject of Transitional Adjustment Assistance (TAA) was considered important by government officials. The annex to the Minister's letter inviting associations to participate approached the subject indirectly. The annex identified the government's view of the expected impact of a full free trade agreement on the industry sector, and then asked for respondent's views. During subsequent discussions with most industries, explicit questions were asked about industry requirements for "adjustment measures" and "transition arrangements" of any kind, including phasing-in tariff and non-tariff changes, other kinds of restructuring assistance to industries, assistance to capital owners, and assistance to displaced labour.

Despite questions, very few participants commented on potential requirements for adjustment assistance (requests for a phase-in period for tariffs are noted above in the Tariffs section). *The subject was in fact only mentioned in regard to Paper Products, Agriculture, Vinting and Grape Growing, and indirectly Brewing*. These industries argued that they would require both a transition period for phasing in tariff changes, and industrial adjustment assistance to restructure their operations. In regard to agriculture and grape growing, the discussion was opened to questions about labour adjustment assistance, compensation and restructuring assistance, however participants did not wish to discuss the subject, perhaps to avoid weakening their case for continued protection. They were asked to respond at a later date.

GENERAL REMARKS

Some important factors related to the competitiveness of B.C. enterprises were the subject of comments that ran like connecting threads throughout the British Columbia trade consultations. These factors, related mainly to export prices and input costs, are not directly subject to government influence or involved in the negotiations like the trade barriers discussed, but they were nevertheless interesting for other reasons.

Often as important to exporting businesses as the trade considerations discussed in this paper is the competitive edge that is given or taken away by *changes in the exchange rate* over the short to medium term (several months to 1-3 years). One comment often heard was that "*we can be competitive under present circumstances or with the assistance of an adjustment period, but we cannot be competitive if the exchange rate appreciates*". This type of comment often served as a justification for an adjustment period, or for continuing protection. However, in fact, over a reasonable period of time and under present international financial structures, the exchange rate is a price that must adjust to reflect the overall financial and commodity relations between countries. It is not a negotiating item in the bilateral trade negotiations.

Prominent input cost items that affect the competitiveness of business and were often mentioned included labour costs and related additional costs in Canada like UIC and Workers Compensation, transportation costs, fuel costs, unavailable or higher cost inputs such as certain chemicals, or pesticides in agriculture, less favourable climatic conditions in agriculture, and indirectly subsidized inputs in the U.S. , notably irrigation water. In industries that can benefit from economies of scale, U.S. producers can potentially have a significant competitive edge, other things being equal, due to the huge domestic market advantage. These costs were discussed generally by industries that were requesting continued protection or adjustment assistance. These cost differences were the justification for protection measures required to "level the playing field" with U.S. industries.

Detailed cost information was requested in the British Columbia trade consultations as factors to be considered in the development of adjustment assistance programs or to justify GATT compatible subsidies.

CONCLUSIONS

1. *The British Columbia trade consultations have been useful to the government for at least three reasons*:

i) Officials were able to *corroborate previous information on industry views*, sector profiles, and impact assessments.
ii) Officials received *new information* about B.C. industries and their problems and requirements.
iii) The government has established a *useful mechanism* for ongoing consultation as the negotiations proceed toward the final key stages.

2. *B.C. associations and firms are eager to receive detailed information and to participate in discussions*. The private sector requested the government to provide a mechanism for ongoing consultation and discussion on all key issues in the negotiations.

3. The British Columbia trade consultations demonstrated that the private sector requires information about the implications of the bilateral trade negotiations and trade policy changes in general. However there are some information problems:

i) In some cases the private sector does not have good information about the effects of trade policies on their operations, nor are they necessarily certain about what information they require.
ii) In some cases the private sector may not be making appropriate, or even any, plans to adapt to potential outcomes of the negotiations.

4. *In some sectors, firms and associations are quite capable of assimilating information about the trade negotiations and planning appropriately for possible outcomes and in other sectors they are less capable*:

i) Those firms and associations which are already developing plans to respond to a potential trade agreement tend to be either large, well developed enterprises, or to have a history of government support or regulation. They include: Major Resource industries (Forestry, Mining, Energy, Fisheries, and much of Agriculture), Distillers and Commercial Wineries, Metal Fabrication, Machinery (large enterprises at least), Telecommunications and Broadcasting, and Transportation.

ii) Sectors found not to be actively developing methods to deal with a Canada/U.S. trade agreement tend to be in the manufacturing sector in B.C.. Reasons for this problem may simply be that enterprises are smaller and thus lack planning resources and overhead. They include: Furniture, Marine and Subsea industries, Apparel, Electronics, Chemicals, Plastics, and some Cultural industries.

iii) Certain sectors maintain that they should be exempted from the trade negotiations altogether and are concentrating their efforts to that end : Estate Wineries and Grape Growers, Brewers, and some Agricultural sectors (Poultry, Dairy, Tree Fruits).

5. If there is a successful outcome to the trade negotiations, *the private sector will have even more pressing needs for information to help them capitalize on the benefits available from trade liberalization.* The information needs at that stage will be both factual and interpretive in regard to the agreement and market-oriented in regard to potential changes in market opportunities. B.C. companies engaged in trade with countries other than the U.S. may also have information needs in regard to the implications of the bilateral trade agreement for their trade with these other countries, or for the investment presence and prospects of firms from these other countries in B.C..

Sectors and firms which will benefit from an agreement should be encouraged to plan and develop new market opportunities; sectors and firms that may be harmed by the agreement should be encouraged and assisted to restructure to minimize the impact:

i) *Attention should be given to appropriate government involvement in carrying out the positive functions of supplying trade development and trade policy information and of encouraging B.C. firms to plan and adjust to new market conditions.* A discussion of this suggestion is beyond the scope of this report, but the subject arises because of private sector information and planning needs that were observed and expressed in the course of the consultations.

ii) There was limited discussion in the British Columbia trade consultations of industrial adjustment assistance, and neither labour representatives or business groups raised the issue of labour adjustment assistance in regard to possible effects of a free trade area. *Mechanisms for giving attention to the subject of labour and industrial adjustment assistance and for planning appropriate delivery systems should be considered.*

APPENDICES

APPENDIX 1

Classification of Industries by Ability to Adjust to a Canada/U.S. Trade Agreement

COMPETITIVE	POTENTIALLY COMPETITIVE	VULNERABLE
GOODS SECTOR		
Logging	Particleboard	
Lumber	Fine Paper	
Plywood	Tissue Paper	
Shakes and Shingles	Boxboard	
Remanufactured Wood Products		
Pulp, Newsprint and Groundwood Paper		
Energy		
Petrochemicals		
Mining		
Structural Materials		
Metal Fabrication		
Chemicals	Some Chemicals, (eg. resins, phosphate and some acids), Plastics (plastic film) and Rubber	some Plastics (fiberglass)
Electronics	Some Electronics (eg. products that have required large capital investments)	
Fibre Optics Cable		Electrical Equipment (Copper Cable)
Machinery and Transportation Equipment		
Ship Repair		

• The above industry classification serves as a general guide to concerns and observations expressed by participants about tariff and non-tariff barriers in both Canada and the United States.

Classification of Industries by Ability to Adjust to a Canada/U.S. Trade Agreement

COMPETITIVE	POTENTIALLY COMPETITIVE	VULNERABLE
Marine and Subsea (eg. ocean engineering, small submarines, electronics)	Some Marine and Subsea (eg. Diving Services, fiberglass products)	Some Boatbuilding (fiberglass)
Apparel	Furniture	
Fish Products		
Some Agriculture Products (Red Meats, Mushrooms,Apples, Raspberries, Grain); Some Processed Foods (eg. fish products, canned mushrooms)	Some Processed Foods (eg. bakeries)	Some Agriculture Products (Soft Fruits, Some Vegetables, Grapes, Chicken, Turkey, Eggs, Dairy Products); Processed Foods (eg. canned fruits and vegetables; processed products based on supply managed commodities - poultry, dairy products)
Distilleries	Breweries and Commercial Wineries	Estate Wineries
SERVICES SECTOR		
Construction	Truck, Rail, Air Transportation	Marine Transportation
Telecommunications, except long distance, long haul		Long Distance, Long Haul (Voice) Telecommunications
Culture: Sound Recording	Culture: Film Making	Culture: Publishing, some Film Making
Tourism, Trade	Health Care (?)	
Finance, Insurance, Real Estate	Trust Company (Fiduciary Activities), Credit Unions	
Business Services : Engineering and Management Consulting, Accounting, Architects, Legal, some Advertising (large/international firms), Computer and some Data Services	Business Services : some Advertising(small/domestic firms), some Data services, Printing (?)	

• The above industry classification serves as a general guide to concerns and observations expressed by participants about tariff and non-tariff barriers in both Canada and the United States.

APPENDIX 2

Appendix 2

Participant Views of Possible Tariff Barrier Changes with Free Trade

INDUSTRY	TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
GOODS SECTOR			
Logging	nil		
Lumber	Duty-free, but see Appendix 3: countervailing duty issue & 15% export tax. 12.5% duty on fire-retardant chemicals on lumber for interior use.	Remove tariff on input.	"We used to have free trade and we would like it back".
Plywood	U.S. 20%; Cdn 15% tariff on plywood. On inputs, 6.5% duty on plywood overlay materials; 12.5% duty on plywood surface release agent (an oil);12.5% duty on fire-retardant chemicals on plywood for interior use.	COFI : Remove 5% differential; discuss mutual reduction from 15% over some phase-in period; precise target level not yet decided. If eliminated, careful consideration of adjustment provisions for Cdn industry required. Remove tariffs on inputs.	Ultimate global objective of worldwide duty-free trade. Benefits of input tariff removal on resins. May be different effects on coastal (high grade) and interior (lower grade) sectors of phasing down tariff; expect some rationalization in this sector.
Shakes and Shingles	Appendix 3: Safeguard duty. Temporary waiver of 6.8% duty on fire-retardant chemicals.	Permanently remove tariff on input.	Prefer free trade in product.
Particleboard	Cdn 7%; U.S. 4% tariff.	Cdn Particleboard Assn: 3% differential is a small barrier relative to large differences in scale between N.W. U.S. plants and B.C. plants, but still useful.	Not yet known whether transition or other assistance will be requested.
Remanufactured Wood Products	U.S. and Cdn tariffs from 3.0-12.5% on certain moldings, wood windows, wood doors, ladders,and hard board used in some door assemblies; sometimes 'tricky wording' of codes. See Appendix 3: countervailing duty issue & 15% export tax	COFI: In some cases minor wording differences create big tariff differences. Cdn tariffs generally higher. Specific proposals for mutual reduction of tariffs in these categories. ILRA: Tariff differentials not a significant benefit to Assn members.	Tariff elimination not a problem unless for smaller firms not represented. Free trade beneficial.

Participant Views of Possible Tariff Barrier Changes with Free Trade

INDUSTRY	TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Pulp and Paper	Cda: 0% for pulp, newsprint, uncoated groundwood and unbleached kraft paper; 6.5% for fine paper, linerboard, boxboard, sanitary tissue; 9.2% for 'other' kraft wrapping paper, 'other' boxboard U.S.: 0%, except 2.5% on coated printing paper, 2.4% on writing paper Cda/U.S.: 4% semi-chemical medium paper, 2.5% coated groundwood printing paper	Fine papers: adjustment to 0 tariff require 10 year phase-in, and adjustment assistance. Tissue paper: require minimum 5 year phase-in preferably longer; if tax system unchanged, not require adjustment assistance which oppose in principle. Linerboard and kraft: no assistance required Boxboard: Some companies require phase-in period and perhaps assistance.	In general industry supports free trade, but restructuring required in some cases. However fluctuations in exchange rate are greater than tariff differentials, so is it a perception of protection that is important? In fine papers, tissue papers and boxboard, plants are relatively small, and for fine papers at least production runs are short. Some are U.S. subsidiaries which may influence location/ expansion decisions.
Forest Industries	Tariffs on machinery and equipment; tariff remission program.	Tariff remissions based on "machinery and equipment not available from production in Canada". Forest industries favour reduction of tariffs, but most concerned about extension of remission program to N. America, although U.S. not have such a program; concern that if no Cdn supplier, may be a U.S. supplier who may not be competitive. Favour reduction of both Cdn and U.S. tariffs.	
Energy	nil		
Petrochemicals	Methanol for non-fuel applications: 18.2%; Ammonia: nil	Methanol duty discriminates against Cda, as certain developing countries - Trinidad, Malaysia, Burma, Indonesia - do not pay it. U.S. a growing net importer, but Cda market share of U.S. imports fell from 95% in 1983 to 47% in 1986.	Require free trade.

Appendix 2

Participant Views of Possible Tariff Barrier Changes with Free Trade

INDUSTRY	TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Metallic Minerals	U.S. tariffs numerous, but generally less than 5%, except alloyed zinc at 19%, a major barrier. Cda tariff of 12.5% molybdenum oxide, 4% on refined lead & ferro molybdenum.	Duties on molybdenum and products and alloyed zinc are causing Cda competitive problems. Likewise Cda tariff on U.S. moly oxide. Advocate free trade. U.S. general surcharge of 0.22% a nuisance.	Ensure that bilateral free trade initiative not detrimental to other trade partners who are also very important.
	Cda tariffs on mining machinery and equipment.	Removal would be beneficial. In regard to duty remission program, Mining Assoc. says (correctly?) that recent changes from previous system have resulted in duties on previously duty-free equipment.	Free trade beneficial. (Expect extension of remission system to N. America be detrimental).
Non-metallic Minerals	nil	No tariffs and very minor coal trade with U.S.. No tariffs on large equipment either; ensure this continues with agreement - no N. America duty remission.	Favour bilateral trade initiative, but little effect on coal trade.
Structural Materials	U.S. tariff: only the .22% general surcharge irritant.		Favour free trade; see Appendix 3.
Metal Fabrication	nil		Free trade beneficial.
Chemicals	Significant tariffs on some resins, eg. 0-12.5% on phenolic formaldehyde resins depending on degree of mixing-used in plywood manufacture; low tariffs on some products, nil on others. Appendix 3 for Rules of Origin.	Cdn Chemical Producers Assn: If tariffs lowered, phase-in period requested.	Limited contact with B.C. Committee of Cdn Chemical Producers Assn. Free trade beneficial with Phase-in as required.

Participant Views of Possible Tariff Barrier Changes with Free Trade

INDUSTRY	TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Plastics and Rubber	Cda: some significant tariffs-eg. flexible packaging (film, bags), reinforced plastic composite (fiberglass) products, polyester resins, and "engineering assists"(mold, die, fixture), but generally low tariffs; require more data.	Society of the Plastics Industry of Canada, B.C. representative: Most B.C. manufacturers would welcome guaranteed access to U.S. market, but some would have significant adjustment problems to low tariffs, eg. flexible packaging, fiberglass (especially marine sector, sail and power boats), "engineering assists".	Expect free trade to be beneficial. Overall, further discussion required.
Electronics Equipment	Various Cda and U.S. tariffs from 4% - 17%	Electronic Manufacturers Assn of B.C.: differential tariff levels with U.S. generally not provide significant protection to members, so with some exceptions strongly favour tariff reduction. Most products have low tariffs of 3-5%, but a 5 year phase-in period would be useful for some products which have required a large capital investment.	Free trade beneficial.
Electrical Equipment	Copper Cable: Cda 10.2%, U.S. 5.52% incl surcharge Fibre Optic Cable: Cda 10.2%, U.S. 8.62% incl surcharge Cda duty on inputs: continuous cast copper rod 4%; polyethlene compounds 11.1%; optical fibre 7.5%	Duty differential essential in copper cable in which not competitive with U.S. firms due to large economics of scale; not necessary in fibre optics in which firm is competitive. Current U.S. copper cable prices 35% less than equivalent Cdn price, therefore this business is at risk: "free trade would close down "company name" as it exists today". Cdn raw material suppliers -plastics, copper, tapes, reels- be also harmed by loss in business.	Free trade detrimental to at least one company, but beneficial in short run to product users; raw materials suppliers harmed. Impact of copper cable division on fibre optics division unclear. Other producers not contacted unless through Electronic Manuf. Assn.
Machinery	Sophisticated sawmill machinery: U.S. 2-4.5% tariffs, Cdn 9.2% tariff Chipping and barking machinery: U.S. 5% tariff or less	Tariff differentials not critical and philosophically oppose them; phase-in period would be needed; appreciation of $C more important.	Free trade beneficial but some adjustment costs.

Appendix 2

Participant Views of Possible Tariff Barrier Changes with Free Trade

INDUSTRY	TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Transportation Equipment	Cda: Listed in Auto Pact therefore in O.E.M. business parts duty free; in parts business 0 or minimal duty.	Auto Pact is an example of benefits of free trade.	Beneficiary of free trade; maintain it.
Ship Building and Repair	Cda 25% tariff, U.S. 50% tariff on dutiable components of non-emergency commercial ship repairs; basically duty on full value added by repairs.	B.C Shipbuilding companies: an increasing % of their business is in ship repair; occasionally successful in U.S. market due to exchange rate; if reduce tariffs would gain more than lose by access to U.S. civilian and military markets, with favourable exchange rate.	Free trade with U.S. beneficial, not with world.
Marine and Subsea Industries	Underwater vehicles: U.S. 3.7%, Cda 25% Marine Equipment in general: Cdn assumed to be about 10% Pleasure boats: Cda 15%, U.S. 0-4%	Subsea: U.S. duty on important equipment is 3.7%; no problemsas long as current exchange rate continues; concern some years ago at possible U.S. retaliation to imposition of Cdn duty of 25% on marine equipment. Some companies think Cda subsea equip manufacturing industry would face hardship if duties removed; Cda duty remission program good & should be more specifically adhered to.	Sector comprises various related industries- ROV, other underwater, electronics, boatbuilding and repair, marine equipment, accessories-plastics, clothing, etc., fishing equipment, some construction, etc. Views on benefits of free trade vary with a possible difference between 'high- and low-tech sectors, but undoubtedly phase-in period and assistance would help. Further information required.
Textiles and Apparel	Relatively high tariffs; see Annex to Minister's Letter.		No response from Fashion and Needle Trades Assn, however general impression is that B.C. has a concentration of competitive high fashion and sportswear firms which could benefit from free trade perhaps with phase-in. Further information required.

Participant Views of Possible Tariff Barrier Changes with Free Trade

INDUSTRY	TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Furniture	Household furniture tariffs: Cda 13.9%, U.S. 2.8-5.5%; Office furniture tariffs: Cda 17.5%, U.S. 3.1%	B.C Furniture manufacturer: export 50% to U.S.; U.S. plants have large economies of scale & Cda market relatively small; requires high tariff differential to protect domestic market share.	Lower tariffs harmful to household furniture sector; no response from Furniture Manufacturers Assn members, so no conclusion regarding office furniture.
Fishing and Processing	Cda 3% on canned salmon - most important; Cda 15% on smoked and prepared fish (fishsticks); Cda on canned tuna - 11% if preserved in water, 15% if preserved in oil. Rules of Origin	Fisheries Council: Support removal of 3% duty, prefer phase-in period; justify phase-in for Cda but not U.S. because total processing costs in B.C. 8% higher than in Wash. due to higher soc program costs. Support removal of 15% duty on prepared fish, but have concerns about input costs. Support removal of duties on tuna on condition that 3rd countries (Japan and other Asian countries) not injured: this means duty must be removed on multilateral basis to avoid Puerto Rico becoming low cost, protected N. Amer. supplier displacing 3rd countries. Reject Rule of Origin that product be duty-free if 35% of value added in processing (which is about 50% of total cost) done in N. Amer., in favour of phrase "substantial transformation" of product. Processors concerned that Cda 'Duty Remission Program for Machinery' not be extended to N. Amer.	Fishermen would benefit from free trade in fish by receiving higher prices; processors and union would likely be harmed; cautious support of free trade due to concerns about sovereignty & impact on 3rd countries.

Appendix 2

Participant Views of Possible Tariff Barrier Changes with Free Trade

INDUSTRY	TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Aquaculture	Increase in tariffs on certain aquaculture equipment (floating dock/cage structures) recently from 12.5% to 25%; no tariffs on products.	Salmon Farmers: Request removal of these costly tariffs. Aquaculture in general and esp salmon farming is internationally competitive; free trade in product is essential, free trade in inputs would be beneficial. Oyster Growers: free trade in oysters and clams; continue in clams but protect oysters.	Free trade beneficial.
Agriculture and Food Processing	Cda: Seasonal tariffs on horticultural products (12.5% on soft fruits for 90 days). Tariffs on dairy products not on Import Control List. Substantial tariffs on a range of processed foods (various canned products, some processed meats). U.S. tariffs on some foods, eg. mushrooms 25&5%, Cda 5&5%.	B.C. Fed of Agric: Must continue seasonal tariffs on soft fruits to protect relatively late maturing B.C. crops; do not substitute alternative,'untried' measures like a surtax, or expedited dumping measures because timing is critical, Phase-in period unacceptable. B.C. Food Processors Assn: Industry comprises both internationally competitive and uncompetitive firms; the latter developed behind tariff and interprovincial trade barriers. Thus must be cautious in reducing tariffs, need substantial phase-in period of 10-15 years, and recommend lowering interprovincial barriers before international barriers. Cdn Fed of Agric : For competitive commodities, advocate complete removal of tariffs and any quantitative restrictions on both primary and processed product; for non-competitive commodities, maintain seasonal tariffs, surtax legislation, provincial marketing boards and the opportunity to develop national marketing boards.	Exclude non-competitive commodities from agreement; include competitive commodities.

Participant Views of Possible Tariff Barrier Changes with Free Trade

INDUSTRY	TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Alcoholic Beverages	Wine: Cdn 20 cents/gallon for still wines,$4.00/dozen for sparkling wines: U.S. 37.5-62.5 cents/gallon and $1.19 respectively Beer: Cdn 20 cents/gallon; U.S. 6 cents/gallon Distilled Spirits: Cdn from 31.3 cents/gallon proof of whiskey to $1.38/gallon proof for rum, some duty free; U.S. from 39 cents/gallon proof for Scotch and Irish whiskeys to $3.40/gallon proof for some brandies.	Considering the 5% differential B.C. markup on distilled spirits, which is a small % relative to the markups for other alcoholic beverages, only removal of the tariff on distilled spirits would be noticed, and is not a matter of concern to the industry.	Issues noted in Appendices 3 & 5 are much more important to the industry.

Appendix 2

Participant Views of Possible Tariff Barrier Changes with Free Trade

INDUSTRY	TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
SERVICES SECTOR			
Construction	Specific tariffs exist on construction inputs such as electrical, plumbing and heating supplies, and on prefabricated building products.	Any tariff reduction for building materials would reduce Canadian building costs and increase the Canadian competitive position in the U.S. market.	Free trade not have large effect, but would be beneficial over time.
Telecommunications	See electronics/electrical equipment for specific tariffs on industry inputs.	Over an appropriate transition period, tariff reduction is seen as a positive step. However, in most cases, current tariff rates are low, and therefore there removal will have only a minimal effect.	
Broadcasting			See Appendix 3
Cable Television			See Appendix 3
Tourism	Tariffs on industry inputs such as printed matter, films, and tapes used as tourism promotional material.		See Appendix 3
			See Appendix 3
Air Transportation			See Appendix 3
Truck Transportation			See Appendix 3
Marine Transportation			See Shipbuilding and repair
Culture	Canadian tariffs on records(13.7%), and compact disks (11.3%)		Limited industry response
Insurance		Maintain current free trade environment.	Limited industry response.

Participant Views of Possible Tariff Barrier Changes with Free Trade

INDUSTRY	TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Finance			
			See Appendix 3
Real Estate			See Appendix 3
BUSINESS SERVICES			
Engineering	Canadian and U.S. restrictions on the entry of business materials, especially drawings.	Consulting Engineers: "It appears that the advantage to our members offered by the much larger U.S. market outweigh any disadvantages." B.C. engineers currently compete effectively in the U.S. market. Trade could be expanded if problems associated with "red tape" procedures were removed.	Supportive of freer trade.
Management Consultants			See Appendix 3
Architecture	Current tariffs affecting the industry are on the value of paper use for drawings, not on the value of the service provided. Current tariffs do not pose a hindrance, however it is "future" tariffs which could be a concern.	Any action which would serve to insure access to the U.S. market and protection from future protectionist measures would be welcomed by the industry.	
Law			See Appendix 3
Accounting	Existing tariffs on business materials.		See Appendix 3
Advertising			Limited industry response.

Appendix 2

Participant Views of Possible Tariff Barrier Changes with Free Trade

INDUSTRY	TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Computer and Data Services	Tariffs on manuals and discs. Potential for future tariffs on software and computer related services.	Any action which would serve to insure access to the U.S. market and protection from future protectionist measures would be welcomed by the industry.	
Trade	General tariff reductions would assist industry in becoming more competitive.		Limited industry response.
Consumers	General tariff reductions on all items; for example, footwear 20%, textiles and clothing 17-25% .		Favour free trade.
Labour & Business			See Appendix 3

APPENDIX 3

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
GOODS SECTOR			
Logging	Log export restrictions: B.C.; U.S. National Forests & certain states (Ore).	COFI: Many different thoughts in industry about log export policy & no agreement. Present Forest Act with its tests is a stable policy. For bilateral changes, U.S. will also have to make controversial changes in domestic policies. Suggest reciprocity in taking these policies off the table. Other industry views range from more restrictive to no change to allowing a fixed % of logs to be allocated to export.	Impact assessment of changes in these policies on both sides would be very complex as many structural issues are involved - eg., Vancouver log market. While precise comparisons difficult, likely export log prices are higher than domestic prices, esp. higher than Vancouver log market prices. Thus some log owners may wish to take advantage of export prices; some log users may be concerned about market disruption; other domestic enterprises would like increased access to a log supply.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Lumber	U.S. Contingency Protection/ Cdn "subsidies". Cdn federal 15% export tax as a result of U.S. 15% countervailing duty threat. U.S. Jones Act restrictions on coastal shipping.	COFI: The economic impact of the 15% export tax is greater than the combined effect of all other tariff and non-tariff barriers currently faced by the forest industry on a world-wide basis. Ideally want exemption from U.S. contingency protection procedures. Ensure no further erosion of previous traditional free trade status. Resource policies have no place in discussions. No quick conversion of 15% export tax to provincial charge, as it may limit options to negotiate removal; also fear impact of changes in stumpage on competitiveness, esp. in 3rd markets. ILRA: Convert export tax to flat $/MBF tax based on softwood lumber values. Present exclusions not equitable. Exchange rate should be in calculation. COFI: The exchange rate per se should not be an item for discussion in the negotiations. Jones Act/Canada Shipping Act should not be extended to North American waters.	Contingency protection is the primary issue. The definition of countervailable subsidies puts focus on question of sovereignty & independence of resource management and industrial development policy. The strongest effect of a duty is in recession when operations close down earlier . Require analysis of B.C. grants/loans programs relative to 'general availability' filter and proposals for other methods to accomplish subsidy objectives.
Plywood	Product codes and standards. American Plywood Association certification of Cdn mills.	Standards will be a big issue for U.S. in NTB discussions; partly a smokescreen to draw attention from U.S. tariff differential. COFI: The subject is not relevant or material to trade discussions. Issue is U.S. "D" grade (indoor) panels, excluded by higher Cdn standards. APA certification an NTB; Cda does not require COFI certification of U.S. mills.	COFI will explain whole standards/quality question to provincial officials.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Shakes and Shingles	Safeguard duty of 35%/20%/8% to 1991. *	Shake & Shingle Assn want removal of duty, and not want conversion of 15% export tax into stumpage causing double taxation. COFI supports TNO approach of exemptions from U.S. Trade Remedy Law, and would advocate phasing out Safeguard 'standing orders' if exemption achieved.	Impact of duty not clear since strike confused the issue, however production not yet back to normal. Strongest effect of duty is felt in recession when operations would close down earlier than without the duty.
Particleboard	no issues noted		
Remanufactured Wood Products	U.S. Contingency Protection question: see Lumber. U.S. Country of origin markings.	COFI : Impact of tax will show up most clearly in its effects during recessions and new plant decisions. Tax could be a determining factor in locating new plants south of border. ILRA: requirement to stamp every piece is very costly headache; serious customs admin problems. Eliminate for products traded mainly within N. America. COFI: likewise; remove marking to deter effect of "Made in USA" preferences.	
Pulp and Paper	U.S. Contingency Protection	CPPA concern about losing present duty-free access; greatest impact would be on market pulp and newsprint. Want objective trade remedy rules that apply equally to both sides to avoid distortions. Have consistently opposed government grants and regional development programs.	Favor free trade, but some sectors will want phase-in period and perhaps restructuring assistance.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Pulp and Paper (Cont'd)	Adjustment assistance.	Vulnerable operations in fine papers, tissues, boxboard may require phase-in period and assistance to convert plant to N. American scale, but changes in tax rules (CCA) will weigh very heavily against such capital-intensive industries and present a strange contradiction to need for adjustment assistance. Any adjustment assistance should be generally, not regionally available.	
Energy	U.S. Contingency Protection. U.S. FERC Order 256 relating to as-billed flow-through of Cda (gas pipeline) demand charges to customers of U.S. importers. FERC Order 436 providing guidelines for inter-state pipelines. Cda energy price regulation.	Require transparent, rule-based, non-political system, or exemption. FERC 256 is discriminatory against Cda; we can expect some amendments but not a reversal. FERC Order 436 providing guidelines for inter-state pipelines to accept open access status (ie. allows all suppliers access) beneficial to Cda, but only a few such settlements so far, and meanwhile U.S. producers request Economic Regulatory Authority to refuse Cdn gas pipelines access unless through permanent open access pipelines. ERA has refused so far, but this is a concern. A participant suggested that Cdn governments must reassure U.S. that Cda will not override negotiated prices with regulated pricing.	Few comments from energy industry, therefore assume free trade beneficial.
Petrochemicals	U.S. Contingency Protection.	Very concerned that ammonia import prices, for example, have been subject to U.S. protectionist criticism. Generally require transparent, rule-based, non-political system, or exemption.	Free trade very beneficial.
Metallic minerals	U.S. Contingency Protection	Lead and zinc are currently under examination. Very concerned. Generally require transparent, rule-based, non-political system, or exemption.	Fee trade very beneficial.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Non-metallic Minerals		Presently have free trade. Concern that protectionist activities on both sides be restrained: Cda not start new subsidies, eg for coal transportation that could invite trade remedy actions; U.S. lobbyists for "Buy America" coal are a possible concern.	Favour bilateral trade initiative, but effect on present coal trade would be small.
Structural Materials	U.S. government procurement, Contingency Protection .	Ministry of EM&PR noted that cement was removed from Buy America Act 2 years ago at least for highway & bridge construction. Specific problems with Buy America Act and Federal Acquisition Regulations which require supply of domestic construction material on U.S. Fed government projects; concern about moves to include cement in Buy America provisions of Surface Transportation Act, and Cargo Preference Act. While unaware of Cdn subsidies in this industry, concern about U.S. trade remedy actions and esp. progress of "Gibbons" Natural Resource Subsidies Act.	Participating company supportive of a free trade agreement. (B.C. net exporter of cement).
Metal Fabrication	Cda: significant interprovincial trade barriers based on preferential government procurement.	A participant: 1. Provided examples of interprovincial trade barriers that should be reduced with free trade. 2. A participant purchased a firm in Oregon, although Vancouver plant very large and underutilized, due to procurement and defense contract problems, and also fact that liability insurance higher in U.S. for foreign companies.	Strongly favour free trade; costs would decline & market expand for large companies at least. No contact with small companies.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Chemicals	U.S. Contingency Protection; Rules of Origin	Cdn Chemical Producers Assn: (1986) Subsidy/countervail problems require transparent, rule-based, non-political system with joint bilateral trade practices tribunal. Have not decided whether national fair trade laws are adequate for anti-dumping problem, or whether need new mechanism. Duty free entry for any article in which combined Cdn or U.S. content amounted to 40% or more of value or traded product; smaller firms prefer limit % closer to 25%; duty charged at MFN rates if article not qualify.	B.C. Committee of CCPA provided limited response, therefore assume they favour free trade with conditions noted. Further discussion required.
Plastics and Rubber		Society of the Plastics Industry of Cda: Concern about "Buy American " attitudes (Not specify government procurement); Cdn Manufacturers difficulty obtaining liability insurance on material shipped to U.S..	Society expects free trade beneficial with exceptions noted in Appendix 2; the points noted here are not relevant in this form; thus, further discussion with industry is required.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Electronics Equipment	U.S. Contingency Protection; government procurement; Customs & Immigration procedures.	Electronic Manufacturers Assn of B.C.: B.C. firms tend to be small, produce for niche markets, very export oriented, and thus build or certify products to international standards. Firms are users and importers of sophisticated technology (latest tech from U.S., highest quality products from Japan), not close to retail/consumer sector, thus dependent on U.S. trade, much more so than Eastern Canadian firms. "Sideswipe" effects of U.S. retaliatory trade actions toward 3rd countries unpredictable, and B.C. firms can not afford to get caught in cross-fire, although E. Cda firms could; ie. prefer stabilization of U.S. trade remedy actions. Re: government and defence procurement; often easier to get defence business in U.S. than in Ottawa; U.S. subcontractors & DOD are buying a product/service and B.C. firms can be competitive; DND is 'clubby', has the attitude that if it's Cdn it cannot be a good product, and is unwilling to work with western companies to develop capabilities; TRIUMF & EBCO as example of this process; also there are no prime contractors in B.C., like Spar Aerospace. One company noted their difficulty in U.S. getting government research contracts which serve as a prime method of becoming a contractor. Re Customs & temporary immigration: service calls across the border with expensive equipment troublesome procedures of posting bonds, paying duties and claiming drawbacks; difficult to get service personnel across; even more difficult to have U.S. consultant spend 3-6 months in Cda, so take work to U.S.	

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
		instead.	Free trade very important; stabilize CP to prevent problems. Further information would be useful.
Electrical Equipment	Cdn provincial government procurement policy	A participant: Bell Cda with 60% of market (Ont/Que/Nfld Tel) buys exclusively from Northern Telecom; Nova Scotia, PEI, New Brunswick, Saskatchewan do not tender copper & buy only locally, B.C.. Alberta, Manitoba tender copper & fibre optics.	Free trade (open tendering) within Cda beneficial; free trade with U.S. detrimental. Other producers not contacted unless through Electronic Manuf. Assn.
Machinery	Customs & Immigration procedures, U.S. security restrictions, Buy Local policies.	Problems with customs procedures: If a single machinery shipment in several trucks is separated, then separate truckloads are treated as 'parts' and charged duty at a 3% higher rate, rather than being included with single invoice. Too much red tape when travelling across border with product, computers, equipment, especially if not U.S. made. To export sensitive (computer) equipment requires much paperwork and it should not be necessary to repeat it for every shipment. Some concern about extraterritorial application of U.S. security regulations to Cdn trade. For sophisticated equipment it is essential to have 24 hour response by trained service personnel; current temporary immigration regulations (U.S. in this case) are costly and troublesome. Company does not sell to governments, but polices can influence purchasers to Buy Local eg. if subsidized loans are provided- example in Quebec. In U.S. necessary to play down references to Cdn products.	Free trade beneficial; favour removing barriers internally and externally. Small producers not consulted.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Transportation Equipment	Auto Pact; government procurement.	A participant: listed in Auto Pact - an example of the benefits of free trade; continue with free trade. U.S. government procurement & defence contracts " Set Aside Laws" discriminate against company.	Beneficiary of free trade; maintain it.
Ship Building and Repair	Merchant Marine (Jones) Act & Passenger Service Act; government and military procurement, Burns-Tolofson Act, U.S. Equal Opportunity Employment Act, Cda Equity Employment Act, Immigration procedures.	A participant: Only access to military procurement was through Military Sealift Command Navy Procurement, but loophole closed after two successful years by Burns-Tolofson Act targeted at company. The Jones Act restricts foreign access to U.S. coastal shipping and imposes a 50% duty on a large proportion of ship repair costs. The companion Passenger Service Act benefits the B.C. cruise ship industry, which in turn provides substantial benefits to Versatile from 7-8 hour port repairs, and drydock every 2 years, but amendments to the Passenger Service Act could negatively impact on B.C. cruise industry. Not sure of impact on Cdn firms (or U.S. competitor with free trade) of Cda Equity Employment Act (ie for Fed contracts > $200,000), but U.S. Equal Opportunity Employment Act is a serious imposition on U.S. companies, and in a sense provides a competitive advantage to Cdn firms. Immigration: no difficulty sending people to bid on contracts or to service ships under way out of U.S. ports, but could not work in U.S. ports.	Free trade with U.S. would bring more benefits than losses; opportunities for "teaming" arrangements with U.S. firms.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Marine and Subsea Industries	Subsea: U.S. government procurement and security classification; intellectual property; U.S. security restrictions on Cda exports to 3rd countries; Cda work permit procedures.	A participant: For U.S. defence procurement, "Buy America" provisions waived only for North American Defence Base program, not extend to security agencies or Dpt Commerce; some sales to U.S. Navy but difficult and impossible to protect intellectual property rights if sell to armed forces; security classifications preclude foreign consulting or equipment servicing even in regard to own equipment. Work permit procedure as bad into Cda as into U.S. - implies could improve both by liberalizing. A participant: Maintain or toughen current Cdn work permit procedure.	Sector comprises various related industries-ROV, other underwater, electronics, boatbuilding and repair, marine equipment, accessories-plastics, clothing, etc, fishing equipment, some construction, etc. Views on benefits of free trade vary with a possible difference between "high-and low-tech sectors. No response from Marine Trades Assn. Further information required.
Textiles and Apparel	Annex to Minister's Letter provides questions.		No response from Fashion and Needle Trades Assn, however general impression is that B.C. has a concentration of competitive high fashion and sportswear firms which could benefit from free trade perhaps with phase-in. Further information required.
Furniture	Technical standards.	A participant: No non-tariff barriers; Cdn technical standards for children's furniture higher than in U.S., but should not be lowered with trade agreement.	High technical standards may provide protective side-benefit if tariffs lowered for children's furniture. No response from Furniture Manufacturers Assn members, so no conclusion regarding office furniture.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Fishing and Processing	Federal & provincial export restrictions on unprocessed whole pink and sockeye salmon and roe herring Controls on foreign ownership of assets in industry.	Cda export restrictions on unprocessed pink and sockeye salmon and roe herring are being challenged by U.S. in GATT; Northern B.C. plants process excess salmon from Alaska, a very substantial business; B.C. plants also process some U.S. roe herring. Fisheries Council, U.S. UFAWU object to removal of Cdn export controls or restriction of access to U.S. fish; producers(fishermen) generally favour removal or not object to removal. Currently foreigners not permitted to own more than 49% of any enterprise that owns a fishing licence: Fisheries Council agree to general industry view on this (fishermen say no access to foreign boats), but do not extend it to processing facilities; exclude 'floater' processing vessels.	

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Fishing and Processing (Cont'd)	Input costs & Cda two price system for wheat; Product standards; U.S. Contingency Protection	Breaded fish is an important prepared product and in Cda up to 50% of product can be non-fish (in U.S. up to 70%) therefore object to higher domestic than export price for Cdn wheat. Product standards higher in Cda than in U.S. and this imposes additional costs; may be hard to compete in some cases with U.S., but Fisheries Council not make any proposals; further discussions. Noted U.S. countervailing duty of 6.5% on Eastern Cda groundfish, and while very little subsidy in B.C., concerned about U.S. protectionist trends. Concern that elements of bilateral agreement not harm other trading partners who are in fact more significant than the U.S. in Fisheries as a whole; UFAWU especially concerned with the risk to Cdn sovereignty and social programs in negotiations. Direct subsidy programs in B.C. not large, although some would like to keep Fishermen's Improvement Loan Guaranty and Fishing Vessel Insurance Plan programs.	Fishermen would benefit from free trade in fish by receiving higher prices; processors and union would likely be harmed; cautious support of free trade due to concerns about sovereignty & impact on 3rd countries.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Aquaculture	U.S. Trade actions; subsidies.	Salmon Farmers: Threat of U.S. trade (not really contingency protection) actions is ominous in several areas: eg. Federal DFO and Prov Min Environment proposing to ban importation of live fish into B.C. and to severely restrict import of fertilized eggs; if implemented, proposal will certainly cause U.S. to take retaliatory action. U.S. action under GATT against restrictions on export of unprocessed pink and sockeye salmon and roe herring. U.S. Fish and Wildlife Assn reportedly lobbying for stiff restrictions on the importation of Cda fish products. Thus removal of these threats via a free trade agreement would be beneficial. Cdn financial assistance programs modest relative to those available in U.S. and other countries and do not appear to be major influence on competitive position of B.C. industry.	Free trade beneficial; concern about limiting U.S. trade remedy actions. Ask Salmon Farmers for details about U.S. subsidy programs.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Agriculture	Cda: Competitive sectors: U.S. Contingency Protection, quotas. Non-competitive sectors: Quotas, supply management regimes, marketing boards, seasonal tariffs and surtaxes (not expedited dumping/safeguard measures), consignment selling, bulk container use; Wheat Board, 2 price wheat system, grain transportation policy; B.C. grape and wine policies. General: Cdn health and product standards, animal health standards, rules of origin; Transitional Adjustment Assistance. U.S.: Contingency Protection, quotas (eg. hogs),Indirect subsidies (esp. irrigation), Dairy Buyout Program(subsidy to Raspberry growers), Canola labelling restrictions.	See Appendix 4.	

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Alcoholic Beverages	Cda: Provincial (B.C.) Liquor Distribution Board practices: markups, listing restrictions and quota requirements, packaging restrictions; grape import restrictions, on-and off-site winery sales, Licensee Liquor Stores, red wine surcharge, minimum price; Beer: also imported draft beer restriction, 2 price wheat system (125%markup); Distilled spirits: "Cdn whiskey" definition; overall tax levels; interprovincial trade barriers, adjustment periods and adjustment assistance. U.S.: grape content restrictions, minor labelling & packaging requirements, other state preferences for local wines.	See Appendix 5.	Distilling industry competitive under free trade. Brewing industry needs removal of interprovincial trade barriers, substantial restructuring and an adjustment period before free trade, but potentially competitive. Commercial wineries need significant changes in policies, some restructuring and substantial adjustment period before free trade, but potentially competitive. Estate wineries are vulnerable and may need continued protection to survive with otherwise free trade rules.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
SERVICES SECTOR			
Construction	No significant non-tariff barriers identified.		Free trade will not have large effect but beneficial over time. Further information may be required.
Telecommunications	Canadian and U.S. government procurement practices, and procurement associated with vertical industry integration. U.S. regulations limiting foreign ownership of telecommunications carriers to 20% of capital stock.	All Canadian industry representatives contacted mentioned the need for Canadian rate rebalancing. However, opinions varied regarding the correlation between rebalancing and free trade. A participant: "Rebalancing must occur prior to a free trade agreement. Rebalancing should occur as quickly as the market will permit, minimum foreseeable time, 5 years." A participant: "Rebalancing could occur concurrently with increased competition." A participant: Prior to the establishment of cross border free trade, Canada must establish a unified regulatory system.	In the shorter term, effects of an agreement will not be felt as sharply as in the longer term. Long haul long distance services will be the most adversely affected. General consensus is that increased international competition will benefit the Canadian economy, and that Canadian carriers can be competitive given an adequate adjustment period. Support a freer trade agreement.
Broadcasting	Canadian tax provisions contained in Bill C-58; Simulcast (retransmission); Canadian content requirements and copyright protection laws.	The Canadian Association of Broadcasters (CAB): Support the maintenance of Bill C-58 and its industry support measures. Content with U.S. mirror legislation re advertising and U.S. ownership restrictions which are similar to Cda's. Simulcast (simultaneous substitution of local programming, or broadcast retransmission) is viewed by CAB as a red herring, and not as a major concern of American negotiators. Support fully need for incentive structure for Cdn programming, although have concerns about content requirements; in any case decisions in this respect must be free of U.S. influence.	Exclude domestic cultural industries from negotiations.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Cable Television	Freer access to U.S. programming, Simulcast (retransmission), Cdn foreign investment regulations.	Greater access to U.S. programming would result in lower costs to consumer. There should be no change in Cda policy on signal retransmission. Removal of 20% foreign ownership restriction in broadcasting would increase values of companies and perhaps reduce concentration.	In general, support freer trade.
Tourism	Access to U.S. toll free services and tourist reservation systems. Canadian customs exemptions. Canadian travel subsidies. U.S. float plane entry into B.C. hunting and fishing market. Canadian and U.S. restrictions on short term entry for performers. Lack of "in-transit" facilities at U.S. airports.	B.C. Aviation Council recommended the possibility of B.C. and Washington joint tourist promotion campaign.	B.C. Aviation council provided general comments on tourism, but there was no direct industry response.
Air Transportation	U.S (and Canadian) restrictions on ownership; preclearance; access to U.S. departure and arrival time "slots"; Immigration procedures; Canadian fuel costs.	Existing Bilateral Air Agreement should be altered either as part of a free trade agreement or under separate negotiations. Short term entry of service personnel and equipment into U.S. B.C. Aviation Council: "Canada should push for cabotage rights in order to secure a more competitive market in the U.S." As it currently stands the 150 mile access limit favors U.S. carriers. A participant : Unclear that benefits of *cabotage* in U.S. would compensate for losses from increased U.S. competition in Cda. Should eliminate 3 important U.S. trade barriers: restrictions on foreign investment, lack of preclearance, inequality of access to arrival and departure time "slots" at U.S. "hub" airports.	Current deregulation trends in both the U.S. and Canada are causing a major restructuring and consolidation of the North American market. A free trade agreement may accentuate existing problems , but in general, is in line with current industry trends.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Truck Transportation	Regulations prohibiting foreign workers from transporting domestic freight(effecting Canadian long haul, and associated back hauls); U.S. customs clearance; provincial variations in registration procedures.	Separate and distinct from trade negotiations are current industry/government deregulation negotiations. Therefore, current industry trends will continue to contribute to the creation of a free trade environment. However..."transportation deregulation is threatening the participation of Canadian carriers in international transportation markets." Some form of industry protection will be necessary to ensure the viability of Canadian carriers in both the domestic and international markets.	Teamsters: In favor of freer trade given adequate adjustment period.
Marine Transportation	The Jones Act(effects on the Cruise and Tugboat industries). See shipbuilding and repair for more details.		
Culture	Canadian ownership restrictions, Bill C-58 (See telecommunications); Canadian and U.S. subsidies; Canadian 15% withholding tax; non-deductibility of advertising expenses in U.S. owned publications.	Current boom in "Canadian" film industry is primarily a result of exchange rate. U.S. films are being produced in Canada due to cost considerations. Canadian film production should be encouraged through the continuation of grant and subsidy programs until a firm market can be established. B.C. could benefit from a Film Development Fund similar to that which exists in Ontario. Currently, a strong, well trained industry service support group is being established in B.C. In order to ensure a continued demand for these services, a Canadian film base must be established.	Limited industry response. Canadian film industry requires continued protection.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Insurance	Differences in standards and licensing requirements for Canadian versus U.S. insurance agents; removal of establishment requirements in both the U.S. and Canada; Canadian federal requirement that to be registered, foreign property and casualty insurance firms must deposit two times as many funds with the Receiver General as domestic firms. Canadian public monopolies in health and certain property and casualty insurance areas.	Canadian industry wants to ensure maintenance of higher Canadian educational standards for brokers and agents and adequate licensing standards to ensure public protection. (B.C. is the only province which does not have a resident licensing requirement for broker/agents.)	The current health and life insurance industry is akin to "free trade", and the industry is in favor of maintaining the free trade environment. Canadian Life and Health Insurance Association and the American Council of Life Insurance issued a joint statement in support of a free trade agreement. "The agreement should ensure that new barriers or impediments are not created and that existing impediments to trade are removed."
Finance	Canadian discriminatory measures against established non-Canadian firms; restrictions on foreign ownership of banks and trust and loan companies; movement of individuals across borders; residency requirements; interprovincial barriers to traded securities caused by lack of government regulated standards; 10/25% rule on foreign ownership; U.S. regulations preventing publicly traded companies registered with Canadian Exchanges from actively pursuing sales in the U.S.	Canadian industry sees no specific problems with free trade debate assuming it does not disrupt current industry and deregulation trends. Trust Companies Association: Competition within the intermediary side of the business could be absorbed faster than competition within the fiduciary side of the business. Adequate adjustment time would be necessary to enable adjustments to be made to existing legislation. B.C. Securities Commission and Investment Dealers Association want to maintain the status quo and insure that the current Securities Act stays in tact.	Industry specific concerns regarding the establishment of an international financial centre. It is necessary to distinguish between the effects of ongoing changes in regulation of financial markets and the additional effects of a free trade agreement. Generally in favor if a freer trade agreement.
Real Estate	Maintain B.C. Real Estate Act RS. B.C. 1979c. 365, which is responsible for qualifying and controlling licensees within the province. The Act also covers public disclosure with respect to subdivision development.	A free trade agreement would strengthen economic linkages between the U.S. and Canada, in particular in the Pacific Northwest, Alaska and B.C. resulting in numerous potential investment opportunities. B.C. should not be forced to compromise existing real estate legislation or to provide special exemptions for U.S. firms.	The Real Estate Institute of B.C. is in favor of a free trade agreement as a means of facilitating investment in the province.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
BUSINESS SERVICES			
Engineering Consulting	Restrictions on short term entry into the U.S. or Canada by professionals or business personnel; outdated U.S.and Canadian practices associated with the exportation of electronic and computer technology. U.S. licensing and certification process which requires Canadian engineers with many years experience to sit basic examinations at predetermined times.	Time and cost considerations become crucial in job costing as a result of registration and certification procedures.	Generally in favor of a freer trade agreement.
Management Consulting	National and international government procurement practices. U.S. immigration laws are more stringent than those in Canada, forcing consultants to apply as alien workers with resultant paperwork taking between 2-6 months. Canadian border is much more open to U.S. consultants; there is a need for a rebalancing of immigration regulations.	Canadian Association of Management Consultants:" U.S. immigration law precludes Canadian consultants from legally carrying out their business in the U.S. for any U.S. client.	"The U.S. border should either be opened wider for Canadian Management Consultants or the border should be closed more tightly; the current situation is an unacceptable imbalance."

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Architecture	Business immigration procedures, professional licensing, U.S. Equal Opportunity Employment Act, Building codes and standards.	B.C. Architectural Institute: Business travel between Canada and U.S. is difficult and administration at border can be arbitrary or inconsistent. Licensing requirements vary between provinces and to a lesser extent between states. B.C. and Ontario moving toward reciprocal and harmonized licensing. Because B.C. has adopted some U.S. exams, reciprocity with U.S. might not be too difficult. Developing these licensing changes would require considerable time and should be undertaken by professional bodies, not negotiators. Cdn architect firms could not satisfy U.S. equal Opportunity Act. Maintain higher Cdn standards in building codes and ensure that professionals involved in any changes.	Industry representatives broadly supportive of freer trade.
Law	Interjurisdicional partnerships; provincial protective practices which restrict the growth of B.C. law firms.	Provincial controls affecting the quality of local practitioners must be maintained. Issue of interjurisdictional partnerships to be discussed again soon.	Sector's response is presently undecided.
Accounting	Presently, Generally Accepted Accounting Principles differ between Canada and the U.S. These rules would have to be aligned, in order to create a complete "free trade environment". Licensing and certification requirements often differ between provinces (eg. Audit function); immigration difficulties encountered by short term entry into the U.S.; Canadian content requirements vis a vis tax laws, investment regulations, media and other areas.	Society of Management Accountants: "The accounting profession will benefit with free access to the U.S. market". It is recommended that the accounting profession develop reciprocal training and accreditation agreements, this should be carried out between professional Canadian and U.S. associations and not be left to federal negotiators. A participant: " The legal and regulatory environment, including the whole range of business law varies substantially between both countries such that it is difficult to conceive of harmonization."	Supportive of a bilateral trade agreement. However, immediate effects may be negative, but with favorable long term effects. No formal position was taken by the Institute of Chartered Accountants of B.C. or the Canadian Institute of Chartered Accountants.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Advertising	"Red tape" and delays encountered when attempting to secure temporary working visas for the U.S.		Advertising Agency Association of B.C.: "There is no overall position on the subject of free trade". General concern that ..."opening the border to the free flow of advertising material would move to extinguish the climate for the development of a Canadian type of advertising."
Computer and Data Services	Immigration concerns regarding short term U.S. assignments; copyright protection. The border serves as a barrier by slowing down software and hardware imports into Canada, and creating delays when multiple products are exported. Software manufacturing (mass production), is carried out south of the border. Government procurement also acts as an effective deterrent to trade.	Cdn Assn of Data and Professional Services: Supportive of a free trade agreement given the possibility of the opposite scenario. (Non-liberalized, regulated, taxes, controlled environment). The industry would suffer and the organization and its members would not be able to function effectively. Independent Computer Consultants Association: Major changes would be cost changes effecting the importation of computer related products manufactured in the U.S.	The Canadian market is not large enough to support Canadian industry. A free trade agreement would assure access to a larger more secure market.
Trade	No industry specific concerns.		Submissions received in this area are highly general in nature, but overall, are supportive of a free trade agreement.
Consumers	Concerned with import quotas, protectionism, safeguards, procurement; countervail duties; "...all actions which may hinder trade and thereby drive up consumer prices while lowering consumer selection and choice."	The Consumers Association of Canada recommends an adjustment period of at least five years.	Association is supportive of a free trade initiative, however express stronger support for a multilateral initiative.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Labour	General concerns	Canadian Confederation of Unions: Concerned that an agreement could not be reached on U.S. Trade Remedy Law; a free trade agreement would lead to job loss, reduction of social services and benefits, and the erosion of a huge range of economic and social programs; wants to see a full and comprehensive public debate on free trade. B.C. Federation of Labour: "Free trade will not help expand employment in any sector.";"Free trade...will hurt the effectiveness of unions which is likely to drive wages down. Social programs are in jeopardy. In addition, it will encourage capital to be moved freely thus assisting the process of destruction of communities."; "In the marketplace the game is played with dollars. Working people have fewer dollars than the owners of capital - its a losing game for us. We should be looking for areas where we can play the economic game with votes."; free trade will prevent governments from implementing legislation to encourage a more equitable society. Study of Central Okanagan economy not foresee any benefits from free trade.	CCU: "Firmly opposed to all moves toward a comprehensive, bilateral free trade agreement." B.C. Fed. of Labour: Firmly opposed.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Labour (Cont'd)		Teamsters: "A failure to favorably revise our existing trade agreement will seriously jeopardize our ability to attract new investment, to expand and diversify our economic base and to secure increased employment and maintain wage levels. The government must strive to balance the interests of those industries that are under threat from protectionist measures and those which are vulnerable to U.S. domination." United Fishermen and Allied Workers: Disagree with view that a free trade agreement is an effective way to deal with U.S. protectionism, as it will likely mean Cda will be compromising its sovereignty,social institutions, and independence; strengthening its links to a depressed economy, rather than diversifying; and perhaps offending other important trading partners.	Teamsters: Cautiously in favor of an agreement. United Fishermen and Allied Workers: opposed.

Participant Views of Possible Non-Tariff Barrier Changes with Free Trade

INDUSTRY	NON-TARIFF BARRIERS	INDUSTRY VIEW OF CHANGES	COMMENTS
Business	Canada's hidden tax structure, licensing and marketing boards, government procurement, subsidies.	Vancouver Board of Trade: "Increased efforts should be made to ensure that the public is more aware of the importance of freer trade. 94% of Board members indicated that liberalized trade between Canada and the U.S. was important to them." An agreement should include a phase-in period(5 years for U.S. and 10 years for Canada). A mechanism should be established to monitor and arbitrate on possible violations to an agreement. Chamber of Commerce: "Negotiations should be concentrated on the removal of all barriers thereby allowing Canada freer access to an increased market in the U.S." Interprovincial barriers should be removed prior to Canada/U.S. free trade. Canadian Manufacturers Association: "...broadly in favor of enhanced trade and improved access to the U.S. There is however, a need for an appropriate phase in period." Canadian Federation of Independent Business: Identified DRIE as an "impediment" to trade. Subsidies granted through DRIE are not benefiting small business, therefore dismantling programs would not be detrimental to B.C. small business	In general, industry associations are supportive of a free trade agreement, however they have identified the need for improving the public image of the free trade debate. The government should actively increase public knowledge of the positive effects of a free trade agreement.

APPENDIX 4

Views of the Agriculture Sector

Some B.C. farmers would support a free trade agreement as a means to secure and enhance access to U.S. markets, but others, and certainly the main farmers' associations, fear the possible implications of a trade agreement.

Generally in agriculture, as in other industries, producers who are cost competitive with U.S. producers wish to ensure open access to export markets and do not require trade barriers. Non-competitive producers demand continued or enhanced protection to preserve income, wealth, jobs, communities and, in the case of agriculture, national self-sufficiency and the way of life of the family farm. In B.C., competitive products include beef, pork and hogs, and specific horticultural products (eg., mushrooms, raspberries, and some small fruits). Substantial U.S. tariffs on hogs and mushrooms are the main U.S. trade barriers to these competitive farm products at present.

Farm associations state that the non-competitive commodities include the supply managed commodities - turkey, chicken, eggs and dairy products, many vegetables, grapes, all tree fruits, including apples, and grains. The larger part of the agricultural community demands continued protection in various forms and "sees more risk than benefit in the negotiations" as succinctly stated by the Canadian Federation of Agriculture.

Quite a variety of trade barriers protect these farm products. Supply managed commodities are protected by import quotas and by tariffs for some dairy products administered by provincial and national marketing boards and related bodies. Many horticultural products are protected by a system of surtaxes and seasonal tariffs, and controls on consignment selling and bulk container use. Grape growing is discussed in Appendix 9. Grain production is protected by a system consisting of grading standards, the Wheat Board, import and export permit requirements, the two-price (domestic/export) wheat system, and the grain transportation policy.

The **position of the farm associations** in regard to the trade negotiations is essentially :

1. For **non-competitive commodities**, no change in the existing trade protection systems , and no agreement to withhold additional protection if required : especially, supply management systems and quotas, marketing boards, seasonal tariffs.

2. For **competitive commodities** :
   (a) The U.S. must dismantle any tariffs, quotas or other restrictions on primary and processed product.
   (b) A better definition of what subsidies are trade distorting and thus countervailable.
   (c) A joint dispute settling mechanism which will ensure that the same rules apply in each country.
   (d) Agreement on how technical issues, such as health regulations, will be handled (Canadians generally feel they have higher standards and do not wish to compromise them); rules of origin will also receive careful attention.

Appendix 4

Views of the Agriculture Sector

Farm organizations identify the following conditions that set non-competitive B.C. producers at a disadvantage relative to their U.S. counterparts, the most important conditions varying somewhat by commodity :

- a less moderate climate
- a shorter growing season
- higher costs for fuel, land, labour, transportation and water
- a greater variety of permitted chemicals

Given the objective of domestic production of as much variety and quantity of farm produce as possible, these factors provide the justification of various protective measures. Of these factors, higher land costs may be correlated with the protective measures themselves; U.S. water costs in some areas are lower because of subsidized irrigation; government taxes or regulations partly affect fuel and labour costs, and chemical availability; transportation costs for some Canadian farm products is heavily subsidized, so the effects of further deregulation would vary by commodity; part of transportation costs and the natural factors are matters of geography and climate.

There are other cost influences. The U.S. market size, firm size and economies of scale in some sectors are noted as threats to the family farm in British Columbia. Rapid appreciation of the Canadian dollar, if it occurred, could reduce competitiveness. Canadian interest rates, for unsubsidized loans, are generally higher than U.S. interest rates. Farm management practices and technological changes will also influence costs. Marketing boards and practices are a cost, but of course can also influence prices and supply.

For most industries which feel the need for some degree of protection from imports, a combination of factors related to those above provides the rationale for protection. However only a few of these factors are direct subjects in the trade negotiations. Participants in the private sector discussions were asked for information about such direct trade related factors like subsidies and discriminatory practices. Other than such directly related data, the evaluation of general cost conditions in an industry is valuable for determining the necessity for special measures or adjustment assistance for the industry. Associations did not wish to comment on this subject in any detail at the time of the consultations, presumably since it would weaken the impact of their arguments for continued protection and operation. However it was noted that in agriculture the current Rural Transition Program would be inadequate to assist adjustment to a bilateral trade agreement, and comments were requested.

APPENDIX 5

Views of the Alcoholic Beverages Sector

At the time of the private sector consultations on the bilateral trade negotiations, other dimensions of the Alcoholic Beverages industry were being reviewed by the Subcommittee on Liquor Branch Practices. Participants in the private sector consultations requested that the various committees studying the alcoholic beverages industry communicate information and findings among themselves. As there was considerable overlap both in topics and in official participation, an important contribution of the private sector consultations was the opportunity for involved officials to clarify certain questions that might not be covered thoroughly in other venues.

WINE

The eight commercial B.C. wineries are restricted in principle to a maximum of one ton of imported (from outside B.C.) grapes, or grape equivalent in juice, must or wine, for each four tons of B.C. grapes contracted with B.C. growers. This restriction can be relaxed for various reasons and presently commercial wineries use approximately 50% (rather than 20%) of imported grape equivalent because contracted B.C. production is insufficient. There are no restrictions on B.C. grape content in individual wines. The eight B.C. estate wineries must use 100% B.C. grape equivalent in their wines, of which one-half must be from the vineyards of the estate producer.

B.C. grapes are protected by - import quotas, requiring commercial wineries to use 80% domestic grapes if possible, estate wineries to use 100% domestic grapes, the "preferential mark-up" differential of 60% in favour of domestic wines, container size and listings restrictions and quota requirements for imported wines, and exclusion of imported wines from Licencee Retail Stores.
While definitive price and cost of production comparisons of B.C. and U.S. grapes have not yet been carried out, there is no doubt that B.C. grapes are substantially more expensive than U.S. grapes delivered to B.C., and there seems to be no doubt this would also be true with free trade. For simplicity, the market under discussion here is the low cost "jug wine" market that accounts for 90-95% of total sales. In order to promote a B.C. wine industry in the face of these significant cost differentials, a number of valuable concessions have been provided to commercial and estate wineries (estate wineries account for only 1% of production). It is these concessions, which are all non-tariff barriers, that are the source of U.S. trade practices complaints.

A brief list of concessions includes :

- LDB markups of 50% for B.C. commercial wines, 15% for estate wines, and 110% for imported wines (differentials of 60% & 95%).

- Listings restrictions: B.C. producers permitted a maximum of 66 wine, cider and cooler listings; imported wine selected for listing is a 'conditional listing' until it reaches its quota.

- Quotas: No quotas for B.C. wines; 'general listings' of imported wines must meet specified sales quotas within 24 months or be de-listed.

- Packaging: No maximum size for B.C.; maximum for U.S. = 1.5 litres; (note that 4 litre bag-in-box package currently has 35% of the B.C. wine market).

- Licensee Liquor Stores: Holders of hotel or neighbourhood pub liquor licences may apply to the Liquor Control and Licensing Branch to include operation of a retail store selling B.C. wine, beer,and coolers, but not other Canadian, U.S., or other imported products. LRS's get a 10% commission on sales from LDB, commercial wineries pay a 10% commission, estate wineries pay a 5% commission to LDB and distribute product themselves.

• Other concessions include on- and off-site (ie. winery site) sales by winery enterprise itself, and the red wine surcharge.

Under the restrictions of the B.C. grape growing/purchase requirements noted above, both the commercial and estate wineries are completely vulnerable to opening of free trade. Without these restrictions, that is, if grapes/must/bulk wine could be freely imported, it is debatable whether the estate wineries would continue to exist. During the private sector consultations the position of the estate wineries association was that they required exemption from a free trade agreement (like supply managed agricultural commodities) or a very long adjustment period under the current system. Officials suggested they should also think of other possibilities as alternatives.

The commercial wineries claim they could persist in the long term but would require :

- a 5-10 year phase-in period and substantial adjustment assistance to restructure their operations and develop export markets.

- unrestricted access to imported inputs.

- redesign provincial regulations regarding grape and wine quality standards and content requirements.

- reforming of current markup differentials into GATT acceptable forms.

The estate wineries particularly emphasized the significance and nature of the linkage between the grape-growing/vintning industry and the tourism industry in the Okanagan Valley. This is a valid observation and the "external economy" benefits of this tourism should be properly evaluated.

In regard to U.S. practices, the most important consideration are the very large indirect subsidies in the form of cheap irrigated water provided to U.S. grape growers. The wineries noted that many U.S. states practice some form of discrimination which favours local wine industries, although they agreed that these barriers were generally not very significant relative to other economic factors. These practices should be more carefully identified and the assistance of the wineries was requested during the consultations.

BEER

There are four major breweries with five operations in B.C. : Labatt's (Creston and Vancouver), Carling O'Keefe and Molson's (Vancouver), and Pacific Western/Potters (Mark Anthony Group)(Prince George). The industry is an important employer and revenue generator in British Columbia. Provincial LDB policy requires Canadian brewers who wish to sell in B.C. to locate in B.C. and similar policies are followed across Canada. Consequently, there are 39 plants in Canada with few, if any, of which can approach the economies of scale available to large U.S. brewers.

The LDB markup on domestic beer is 50% on adjusted landed cost throughout the province, and imported (non-B.C.) beer is marked up 83% on adjusted landed cost at LDB Vancouver warehouse. The location of adjusted landed cost is important since domestic brewers must incur transportation costs and the markup is applied on these costs throughout the province, whereas imported beer is distributed by the LDB and thus there is no markup on these transportation costs. Notwithstanding any remaining markup differential Washington State beers are very competitive in shelf price. Domestic brewers receive other important concessions, such as the right to sell beer through Licensee Liquor Stores (imports do not have this right), the right to sell draft beer (imports do not), and larger numbers of LDB listings.

The general situation of Canadian brewers is clearly stated by the Subcommittee Report :

"To be competitive with U.S. brewers, the major Canadian brewers would have to rationalize their production capacity across Canada into fewer and larger breweries. To facilitate this, existing barriers to interprovincial trade in beer would need to be dismantled. For provinces with little likelihood of retaining production facilities, there would be little incentive to speed this process. The major provincial beneficiaries of brewing rationalization would be Ontario and Quebec. British Columbia would find itself in competition with Alberta to be the western base for expanded production for each of the three major breweries.... An important consideration may be the perception of brewers as to how sensitive an individual province is to their concerns and appreciates their increased investments."

Appendix 5

Views of the Alcoholic Beverages Sector

Some of the more important views that the brewers expressed to the private sector consultations were :

- Before the removal of bilateral or multilateral trade barriers, the industry needs time to rationalize : ideally a 10-year period with no external changes to allow dismantling of provincial trade barriers and to build up a U.S. market presence, and then a 10-year phase-in period.

- Provinces must take the necessary steps to simultaneously lower and harmonize restrictive practices (eg., the B.C. LDB would remove its listing and markup practices that discriminate against Canadian beer produced outside of B.C.), and to prepare for changes in employment and investment, realizing that this is a difficult problem.

- The LDB should absorb the distribution costs for domestic beer, thus ending the indirect subsidy to U.S. beer; it should continue the current prohibition of imported draft beer; it should allocate shelf space in proportion to volume sales, and consider other tax and administrative proposals.

- Eliminate the Wheat Board monopoly on malting barley (2 price system) which leads to prices 125% higher in Canada than in the U.S. for an input which accounts for 8-12% of total costs.

- Brewers are unaware of official U.S. barriers to trade, other than state packaging and labelling regulations, but private sector oligopoly control over beer distribution networks is a great problem in penetrating the U.S. market. The Canadian industry has only 4% of the U.S. market, located in the small premium end of the market, while the U.S. has 20% of the main beer market in Canada (although industry admits they are responsible for this degree of entry through their licensing agreements with U.S. brewers).

Observations:

- Provinces with little likelihood of retaining production facilities may be willing to support immediate dismantling of international trade barriers in this industry in exchange for some other benefit to themselves, so that B.C. should be wary of these possibilities.

- British Columbia and Alberta might benefit from joint negotiations with the brewers, especially if any of the Canadian brewers begin threatening to establish a subsidiary brewery in the U.S. on the west coast.

Views of the Alcoholic Beverages Sector

DISTILLED SPIRITS

There are four distilleries in B.C., two small ones attached to wineries, Hiram Walkers which bottles Canadian whiskey imported in bulk from eastern Canada, and Potters (Mark Anthony Group) which has significant bottling operations for other companies. The markup differential between B.C. and imported spirits is merely 5%, justified by LDB paperwork. Production of distilled spirits has already been rationalized on an East-West basis. However the minimum markup policy of the LDB of approximately $10.25 per litre excludes low priced vodkas and other products from the U.S., although conversely U.S. whiskies have very low quota requirements. Consequently with free trade there would be some rationalization of production North-South, with Canadian whiskey possibly expanding its market and low priced U.S. vodkas expanding their market. "The most important issue in negotiations is a definition of 'Canadian' whiskey that means totally produced in Canada".

APPENDIX 6

Implementation of the British Columbia Trade Consultations

The direct goal of the implementation of the private sector consultations was to be a series of meetings with industry in late February and early March; written submissions from industry also became an important part of this goal.

At the end of December,1986, to arrange for these meetings and submissions, the Minister instructed that letters be prepared for her signature to be sent to private sector representatives. In mid-January it was proposed that the Minister's letter be accompanied by the Ministry's own impact study for the sector in question. The purpose of the addendum to the Minister's letter was to help bring a focus to respondent's comments and to provide a solid technical base for industry input.

The preparations for the actual consultations with the private sector consisted of staffing, selecting private sector representatives to participate, writing sectoral impact studies in a consistent format, mailing Minister's letters, and telephoning to arrange for submissions and meetings. An economics consultant, Mr. Tom Burlington of Burlington & Associates Consulting Ltd., was hired on January 13 to manage the program of private sector consultations and to prepare a final report, in conjunction with Ministry staff.

The selection of private sector representatives to participate in the consultations was based on several criteria. The criteria were determined by the Trade Policy Branch in consultation with the members of the International Trade Steering Committee (ITSC). While meetings would be held with any groups who so requested, meetings would be encouraged with the following types of representatives :

- associations as broadly representative of their sectors as possible (to minimize the number of contacts in the brief time available for the consultations),
- capable of articulating views in regard to the bilateral trade negotiations, in the opinion of ITSC members,
- oriented toward specific economic sectors, with some notable exceptions (exceptions being some primary labour, consumer and overall business associations with as broad a membership as possible),
- spread across all business sectors in British Columbia.
- In addition, British Columbia members on the International Trade Advisory Committee (ITAC) and on the Sectoral Advisory Group on International Trade (SAGIT) were to be informed about this program and invited to participate.

Using these criteria and in consultation with the members of the ITSC, a list of invited representatives from associations, companies and public enterprises was completed by early February.

Appendix 6

Implementation of the British Columbia Trade Consultations

On the basis of previous impact assessments, as well as full consultations with International Trade Steering Committee (ITSC) members and some further research, 34 annexes identifying key sectoral issues in the negotiations were prepared and distributed to ITSC members for confirmation by the third week of February.

The Minister's letter, including an appropriate annex, was mailed to the selected private sector representatives and to ITAC and SAGIT members at the beginning of March. The Minister also wrote to her cabinet colleagues at this time to inform them of the implementation of the consultations.

All private sector representatives were telephoned during the second and third weeks of March, and 38 meetings were arranged with 42 representative groups during the last two weeks of March and the first two weeks of April. A full list of private sector participants in these consultations - 111 associations and public enterprises, and 59 private companies - appears in Appendix 7. About 100 letters and submissions were received from participants.

APPENDIX 7

Invited Participants in the British Columbia Trade Consultations

SECTOR	ORGANIZATION
GOODS SECTOR	
FORESTRY	
	Canadian Pulp & Paper Association
	Scott Paper
	Council of Forest Industries
	Interior Lumber Manufacturers' Association
	The Truck Loggers Association
	Sauder Industries
	Independent Lumber Remanufacturer's Association
	Pope & Talbot Ltd.
	Rustad Brothers & Co. Ltd.
	Bell Pole C. Ltd.
	Crestbrook Forest Industries
	Fraser Valley Shake & Shingle Producers Association
	COFI-Northern Interior Lumber Sector
	Cariboo Lumber Manufacturers Association
	Belkin Inc.
	Island Paper Mills
	Cariboo Lumber Manufacturers
	Northern Interior Lumber (see COFI)
ENERGY	
	West Kootney Power and Light
	B.C. Utilities Commission
	B.C. Petroleum Corporation
	B.C. Petroleum Association
	Ocelot Chemicals
	Cominco
	Westcoast Transmission
	B.C. Hydro & Power Authority
	Independent Petroleum Association of Canada
	Pacific Northern Gas Ltd.
	Inland Natural Gas Co. Ltd.
MINING	
	Coal Association of Canada
	B.C. Mining Association
	Portland Cement Association
	Tilbury Cement
	B.C. and Yukon Chamber of Mines
MANUFACTURING	
Metal Fabricating	
	Canron Inc.
Chemicals	
	ERCO/ Canadian Chemical Producers Association
	Borden Chemical
Plastics & Rubber	
	Society of Plastics Industry of Canada

Appendix 7

Invited Participants in the British Columbia Trade Consultations

SECTOR	ORGANIZATION
Electronics & Electrical Equipment	
	Pirelli Cable Inc.
	Electronic Manufacturers Association
Machinery & Transportation Equipment	
	Kockums Cancar
	Pacific Truck & Trailer Ltd.
	CAE Machinery
	B.C. Bearing Engineers (W. MacDonald)
	Ebco Industries
	Knight Trailers
Shipbuilding & Repair	
	Versatile Pacific Shipyards
	Vancouver Shipyards Co. Ltd.
	RivTow
Marine & Subsea	
	International Submarine Engineering
	Can-Dive Services
	Marine Trades Association of B.C.
Textiles & Apparel	
	B.C. Fashion and Needle Trades Association
Furniture & Fixtures	
	Stork Craft Furniture
	B.C. Furniture Manufacturers Association
FISHERIES	
Fishing & Fish Processing	
	Cooperative Fishermen's Guild
	Pacific Gillnetters Association
	Pacific Trollers Association
	Fisheries Council of B.C.
	United Fishermen & Allied Workers Union
	Deep Sea Trawlers Association
	Fishing Vessel Owners Association
	Prince Rupert Fishermens Coop
	Gulf Trollers Association
	Pacific Coast Fishing Vessel Owners Guild
	Northern Trollers Association
	Sport Fishing Institute of B.C.
	Native Brotherhood of B.C.
Aquaculture	
	Salmon Farmers Association
	B.C. Oyster Growers Association

Invited Participants in the British Columbia Trade Consultations

SECTOR	ORGANIZATION
AGRICULTURE & FOOD PROCESSING	
	B.C. Federation of Agriculture
	B.C. Council of Marketing Boards
	Ritchie Smith Feeds Inc. & National Chicken Agency (SAGIT)
	B.C. Food Processing Association
	B.C. Sugar
ALCOHOLIC BEVERAGES	
Vinting & Grape Growing	
	The Wine Council of B.C.
	Okanagan Valley Estate Wineries Association
	Association of B.C. Grape Growers
	Divino Estate Winery
	Import Vintner and Spirits Assoc
	Mission Hill(Mark Anthony Group)
	Calona Wines Ltd.
	LeComte Vineyard & Estate Winery
	Uniacke Estate Winery
Brewing	
	Pacific Brewers Distributors
	Carling O'Keefe Breweries
	Labatts Breweries
	Molson Breweries
	Okanagan Spring Brewing
	Haida Trading Co.
	Granville Island Brewing Co.
	Island Pacific Brewing & Distilling
Distilling	
	Association of Cdn. Distillers
	Hiram Walker & Sons
	Great West Distillers(Mark Anthony Group)
	International Potter Distilling
SERVICES SECTOR	
CONSTRUCTION	
	Canadian Home Builders of B.C.
	B.C. Construction Association
TRANSPORTATION	
Air	
	International Aviation Terminals
	B.C. Aviation Council
	Helicopter Industry Support Association
	Okanagan Helicopters Ltd
	CP Air (Canadian Airlines)
Truck	
	B.C. Motor Transportation Assoc.

Appendix 7

Invited Participants in the British Columbia Trade Consultations

SECTOR	ORGANIZATION
Marine	
	Port of Vancouver
	B.C. Chamber of Shipping
	Council of Marine Carriers
COMMUNICATIONS AND CULTURE	
Culture	
	B.C. Film & Video Assoc
	Little Mountain Sound
	Association of Book Publishers of B.C.
	Pacific Cinema Centre Society
	Pinewood Soundtracks
	Tegra Industries
Communications & Broadcasting	
	B.C. Tel
	Microtel
	CNCP Telecommunications
	Northwest Tel
	B.C. Association of Broadcasters
	Delta Cable Television Operators
	Cantel
TOURISM	
	Outdoor Recreation Council of B.C.
	Alliance of Canadian Travel Association
	B.C. Hotel Association
	Tourism Industry Association of B.C.
	Restaurant and Food Services Association
	Cruise Industry Association of B.C.
	B.C. Motor Coach Assoication
	B.C. Motels and Resorts Association
FINANCE	
Financial Institutions	
	Trust Companies Assoc. of Canada
	Investment Dealers Assoc. of Canada
	B.C. Securities Commission
	Vancouver Stock Exchange
	B.C. Central Credit Union
Insurance	
	Insurance Agents Association of B.C.
	Insurance Council of B.C.
	Seaboard Life Insurance
	Council of B.C. Based General Insurance
	Insurance Bureau of Canada
Real Estate	
	B.C. Real Estate Association
	Real Estate Council of B.C.
	Real Estate Institute of B.C.

Invited Participants in the British Columbia Trade Consultations

SECTOR	ORGANIZATION
BUSINESS SERVICES	
Management Consulting	Institute of Management Consultants
Engineering Consulting	Consulting Engineers of B.C.
Architecture	Architectural Institute of B.C.
Accounting	Institute of Chartered Accountants Society of Management Accountants
Law	Canadian Bar Association Law Society of B.C.
Computer & Data Services	Software Industry Development Assoc. Cdn. Association of Data & Professional Services Independent Computer Consultants Cdn. Information Processing Society
Advertising & Printing	Advertising Agency of B.C.
TRADE	Canadian Assoc. of Custom Brokers Retail Merchants Association of B.C. Motor Dealers Association of B.C. Allders International Ltd. Cdn. Int'l Freight Forwarding
HEALTH	B.C. Association of Private Care Facilities B.C. Health Association
LABOUR	B.C. Federation of Labour Confederation of Canadian Unions Canadian Conference of Teamsters B.C. and Yukon Building and Construction Trades Council
CONSUMERS	Consumers' Association of Canada

Appendix 7

Invited Participants in the British Columbia Trade Consultations

SECTOR	ORGANIZATION
BUSINESS	
	The Vancouver Board of Trade
	B.C. Chamber of Commerce
	Canadian Manufacturers' Association
	Cdn Federation of Independent Business
	Business Council of B.C.